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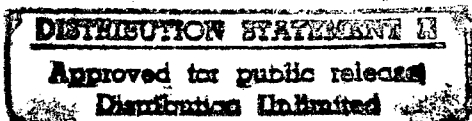
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**SELECTED ECONOMIC TRANSLATIONS  
ON EASTERN EUROPE**

(168th in the series)



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INTRODUCTION

This is a serial publication containing selected translations on all categories of economic subjects and on geography. This report contains translations on subjects listed in the table of contents below. The translations are arranged alphabetically by country.

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## CZECHOSLOVAKIA

### Excerpts from "Remuneration for Production Work"

[This is a translation of an article by Valerian Razga and Michal Hronsky in *Odmenovani prace ve vyrobe*, 1959, Prague, pages 14-52, 69-81, and 96-101; CSO: 3 64-N/a]

The following principles were applied in the creation of the State Catalog of Jobs:

Job qualification, determined according to the complexity of the work and the accuracy required from and responsibility placed on a worker. Job qualification involves a knowledge of technical methods, technology of production, and organization of production and work phases required to do good quality work. Job qualification also calls for an evaluation of the responsibility for entrusted production facilities, tools, technical installations, raw material and goods, as well as of the knowledge required to ensure the enforcement of work safety regulations.

Physical effort takes into consideration primarily manual work requiring an extra amount of physical effort. Within this category, the State Catalog of Jobs lists, among other things: carrying loads by hand, rolling objects with the use of levers, moving material and products by means of mechanical devices, working with shovels, manual transportation of materials and products.

Difficulty of working conditions covers work done permanently under the surface or in permanently closed premises at high temperatures (work in great heat in plants where machines are built and in steel mills), work done in surroundings that are unhealthy or dusty, that are disagreeable or exposed to infection, that are saturated with noxious emanations; work done on steep walls from elevated scaffolds, from cord ladders, suspended cages, and at heights while fastened by belts, etc.

In order to set up the individual work grades impartially and apply them uniformly for work done by different trades and in different industries, we have prepared the so-called point

system evaluation. The above-mentioned principles of work (qualification, physical effort, and difficulty of working conditions) were accordingly subjected to an evaluation that ranged between a fixed minimum and maximum number of points. For the purpose of qualification, the minimum number of points was scored by the simplest types of work and the maximum number by the most complex ones. The minimum and maximum number of points evaluating the job qualification varied from industry to industry (particularly with respect to the maximum number of points), because the difference between the most and least qualified jobs varied according to individual industries. For example, the qualification span in the construction and food industries was smaller than in the machine-building, steel, and printing industries. A similar method was adopted for scoring the influence of wage scales on the classification of job specification in specific work grades. The work grade in most of the industries was influenced by the principle of job qualification.

For the point system, each job specification is scored by a specific number of points. On this basis, the work graph was selected for a job specification according to the number of points with which it came closest to the point requirements of the work grade.

The grade classification of all standard job specifications prevailing in the various industries was made according to identical principles. Such a classification had great advantages, because work grades within an industry and between individual industries could be mutual balanced out and made comparable (parity work grades).

The State Catalog of Jobs was introduced between 1946 and 1948. It used to be an important basis on which wages were differentiated in accordance with qualification and type of work. The catalog served well for a number of years, because it uniformly classified work according to the principles of qualification and scales. Today it has become obsolete.

#### Qualification Scale Catalogs

For several years work has been progressing on replacing the existing system of job evaluation based on the system of the Catalog of Jobs by new methods that would better evaluate



jobs. These new methods are incorporated into the system of qualification scale catalogs.

This is a system according to which work will be evaluated in all industries in conjunction with the gradual introduction of the new system of wages.

Where does the basic difference lie between the existing Catalog of Jobs and the qualification scale catalogs? The Catalog of Jobs is actually a collection of job specifications for industries and enterprises. The qualification scale catalogs are rather collections prepared for the industries, specifying the qualification characteristics required by the various trades.

On the basis of the specifications comprised in the respective collections of the Catalog of Jobs, we can directly determine the work grade and indirectly the individual grades of workers, paid by the hour or by the piece, according to the average work grade.

On the basis of the qualification characteristics that are listed in the respective collections of the qualification scale catalogs, we can grade the workers directly according to their qualifications for individual trades and indirectly derive the work grade according to standard work patterns.

The above difference is illustrated by the following example of job specification and qualification characteristics.

#### Assembly of an Instrument Control Box--Group 5

Assembling the following parts in the box according to blueprints: buttons of the control box, button rods, alarm buttons, bells, and connecting keys; fitting windows to front panel and fastening the inductor to the slides by means of screws; connecting instruments in the box according to the blueprint.

#### Piece Work

Example of a qualification scale characteristic taken from a qualification scale catalog for a basic machine-building industry (assembly and welding section):

## Mechanic--Group 5

He must know the design of current parts and assemblies, directional tolerances, the functions of mechanical and electromechanical assembly groups, methods of surface arrangement and their purpose, fundamentals for thermal processing of materials used, fundamentals of low voltage electrical engineering, and various types of special materials.

He must be able to read current assembly blueprints and their composition, set up and arrange mechanical and electromechanical fissures in the prescribed tolerances, adjust electromechanical groups, test parts according to prescribed assembly procedures and blueprints, and assort parts in relation to thermal processing and surface arrangement.

Examples of Jobs: Typewriter and manometer repairs and gauging. Assembly of a hydrometric wing. Composition and assembly of a pointed depth-measuring device. Assembly of a recording box. Complete assembly of an ombrograph. Assembly and arrangement of a temperature regulator. Setting up a computer into a group of keys. Equalization of typewriter models. Partial assembly of laboratory, medical and vacuum instruments. Partial assembly of vacuum valves.

The above examples show that, whereas the Catalog of Jobs consisted only for the work specifications that are listed according to work grade, the qualification scale characteristics comprise:

- a) the name and/or a brief description of the trade pertaining to a specific qualification;
- b) the qualification scale grade of the respective trade;
- c) the standard work pattern.

The Catalog of Jobs as such does not disclose the actual qualifications of production workers. It merely offers a general picture of the average work grades in enterprises and industries. The qualifications of the workers are derived from the average work grade. The majority of workers usually perform, during the course of a month, operations falling under different qualification [levels]. The average qualification of their work is the basic principle according to which their individual grade is determined. Any increase in the average grade of work performed carries a corresponding increase for the individual grade of the worker.

The application of the qualification scale catalogs is based on the qualification for specific trades. According to the qualification scale catalogs, a worker who is in a higher grade may be admitted to a higher qualification scale grade only after a successful qualification test. In other words, he must meet all requirements of the qualification characteristics for the respective trade and grade. There is an additional difference--namely, that the work grade is derived from standard work patterns that are listed by the qualification scale characteristics.

Why are qualification scale catalogs actually better than the Catalog of Jobs? Primarily because the application of the qualification scale catalogs will increase the direct material incentive of the workers by stimulating them to improve their qualifications. The reason for that is that more highly qualified work will be permanently assigned to workers in the higher grades only after they have passed their qualification test for the higher grade.

Only during the period of transition to the new system of wages and to the qualification scale catalogs will a worker be admitted to a qualification scale grade without having to go for a test, provided that he meets the respective qualification requirements.

The qualification scale catalogs also stress the importance of the qualification characteristics, on the basis of which textbooks are prepared for factory trade schools, in which workers are trained in accordance with the planned increase in the qualifications of production workers.

The qualification scale catalogs will be prepared according to industries. The qualification scale catalog for each industry will comprise an entire list of qualification characteristics for all trade and for all qualification scale grades of these trades within the respective industry.

For example, the qualification scale catalog for industrial construction will comprise the qualification scale characteristics for all trades that are engaged in the producing mortar, quarrying, making construction materials, earthenware, bricks, ceramics, insulation, and allied trades.

In addition to the qualification scale catalogs according to industries, we shall also have a qualification scale catalog for service trades. This catalog will comprise all

qualification characteristics of service work in all production sectors. The catalog will apply generally to all sectors. With this system the same service trades will be rated according to the identical qualification scale grade in all industrial sectors, regardless of the social importance of the basic work performed by the basic trades in the respective industrial sectors. The application of the qualification scale catalog for service trades will ensure uniformity in evaluating the qualification of identical jobs throughout the entire industry and will cover 79 trades.

The qualification scale catalog for service trades comprises trades engaging in cleaning, moving material by hand, packing of products and work in the warehouse, servicing of some transportation facilities, servicing electric power plants and water installations, maintenance of machinery and equipment, auxiliary office work, and some other operations.

The qualification characteristics included in the respective sections of the qualification scale catalogs were prepared in accordance with the job specifications listed in the State Catalog of Jobs. Consequently both the qualification characteristics for individual trades and the determination of the qualification scale grade were devised in accordance with the same principles on which the State Catalog of Jobs determined the work grades according to individual job specifications.

We have made some changes in the former evaluation of the factors determining the work grade. One change applies to the evaluation of physically difficult work. The State Catalog of Jobs at the time of its introduction did not fully assess the principle of physical work. The reason for that may be traced to the inadequate evaluation of manual work in capitalist Czechoslovakia. The shortcomings were in principle solved during the years following the introduction of the State Catalog of Jobs by a gradual rise in the average qualification scale grade at the rate of approximately one degree for physically difficult jobs. The qualification scale catalogs give more consideration to some types of physically difficult jobs.

The transition to the new qualification catalogs introduces some other changes, because a number of industries no longer consider the influence of difficult working conditions to be of importance in determining the qualification scale grade. The new wage system will take care of the influence

of difficult working conditions with a fixed bonus in koruny per hour rather than by a transfer into a higher grade. This method will have a favorable effect, because the qualification scale grade for trades will, in the majority of industries, reflect the qualification required from a worker more adequately than was done by the catalog of jobs.

There will be a change in the qualification span for some industries. For example, for the construction and food industries, as well as a number of sectors in the consumer industries, all work patterns were formerly classified in seven grades. The qualification scale catalogs for those industries will classify the qualification characteristics in eight groups. The new method will permit a better differentiation of the respective trades according to qualification and wage scale principles.

The major feature of the qualification scale catalogs is the ease with which we are able to express, more accurately than was possible with the Catalog of Jobs, all new technical and progressive methods of work by the qualification scale characteristics. A considerable portion of the job specifications listed in the State Catalog of Jobs has by now become obsolete as a result of the development and mechanization of production since 1948. The qualification scale characteristics for individual trades are devised with an eye on the up-to-date technical progress and advanced work organization. The new approach is expressed in the section that decrees what a worker has to know and what he must be able to do (for example, knowledge of advanced technology, new equipment, instruments, devices, measurement control apparatus, etc.).

#### B. The System of Wage Scale Schedules

The system of wage scale schedules is linked to the system of work evaluation. Together these two systems ensure the differentiation in the industrial workers' wage scales according to qualification, working conditions, and social importance of the work.

Each wage scale schedule comprises the wage scales for the respective qualification scale schedule grades. For example, the following schedules of wage scales apply at the present time to workers in the printing industry:

| Wage Scales, in<br>Koruny per Hour | Qualification Scale Grade |      |      |      |      |      |      |      |
|------------------------------------|---------------------------|------|------|------|------|------|------|------|
|                                    | 1                         | 2    | 3    | 4    | 5    | 6    | 7    | 8    |
| By the hour                        | 2.50                      | 2.85 | 3.25 | 3.75 | 4.35 | 5.05 | 5.85 | 7.00 |
| By the piece                       | 2.90                      | 3.30 | 3.75 | 4.30 | 5.00 | 5.80 | 6.70 | 8.00 |

The schedule of wage scales is in every instance limited to the remuneration of a certain precisely determined category of worker. The wage scales by the hour and by the piece may also apply to monthly payments. As a rule, they are determined in koruny per hour.

Wage scales by the hour express the monetary remuneration in scale wages by the hour for one hour of work done.

Wage scales by the piece express the monetary remuneration according to scales for one hour of work done with a 100-percent fulfillment of the efficiency norm--in other words, the monetary remuneration for one norm-hour of work done.

The experience gained from practices prevailing in enterprises of different industries teaches us that wage scales efficiently fulfill their economic function (as instruments of wage differentiation), provided that the wage scale constitutes the decisive portion of the worker's average earnings.

If wage scales constitute the decisive portion of the worker's average earnings, they also regulate it. As the regulator of the worker's average earnings, the wage scales, in conjunction with the law of economy of remuneration according to work, favorably influence the trend toward higher wages and help to consolidate the desired proportions in the average earnings of industrial workers.

The wage scale schedule assures the differentiation of wages for a category of workers who are remunerated according to a determined scale. The system of wage scale schedules assures the differentiation in the remuneration of workers within individual industries and sectors as well as between individual sectors.

There are three basic methods according to which we obtain a correct wage differentiation on the basis of wage scales.

- a) the varying number of qualification scale grades (which is influenced by the work evaluation system);

- b) the varying span of wage scale schedules and the varying nature of rising wage scales from one grade to another;
- c) the varying absolute level of the wage scale in the first grade.

According to the above three methods, we have, for example, the following typical wage scale schedules in the printing industry:

| Factor   | Characteristics of Wage Scale Schedules |              |
|--|---|--------------|
|  | By the Hour                             | By the Piece |
| Number of grades                                     | 8                                       | 8            |
| Span of wage scale schedules                         | 1:2.80                                  | 1: 2.76      |
| Average rise of wage scales (in percent)             | 15.8                                    | 15.6         |
| Nature of rise                                       | Progressive                             | Progressive  |
| Absolute level of scale level of Grade 1 (in koruny) | 2.50                                    | 2.90         |

The span of the wage scale schedules expresses the ratio between the wage scales of the first and the highest grades.

The average rise of wage scales expresses the average percentual rise of wage scales. It may be derived from the following relation between wage scales of individual grades:

$$\log x = \frac{\log \frac{T_n}{T_1}}{n - 1}$$

where:  $x \cdot 100$  = average rise in wage scales (in percent)

$n$  = number of qualification scale grades

$T_n$  = wage scales of the highest grade

$T_1$  = wage scale of the first grade

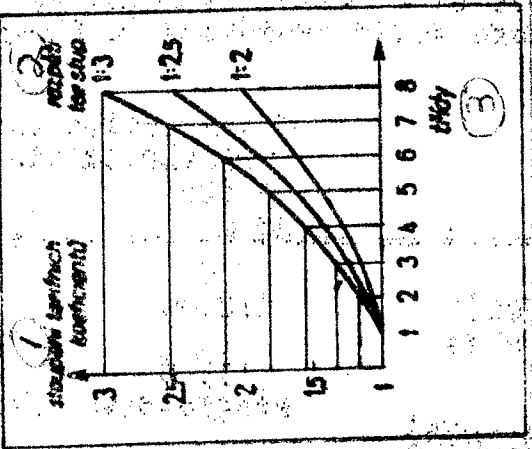
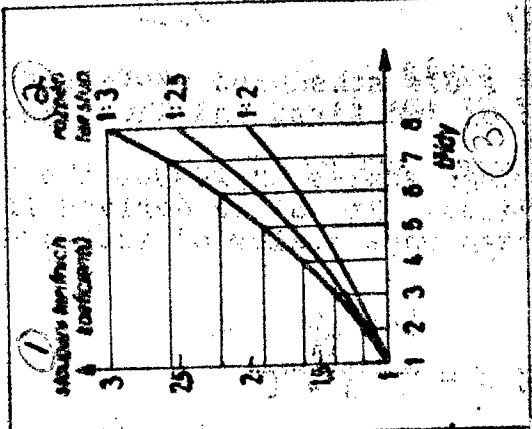
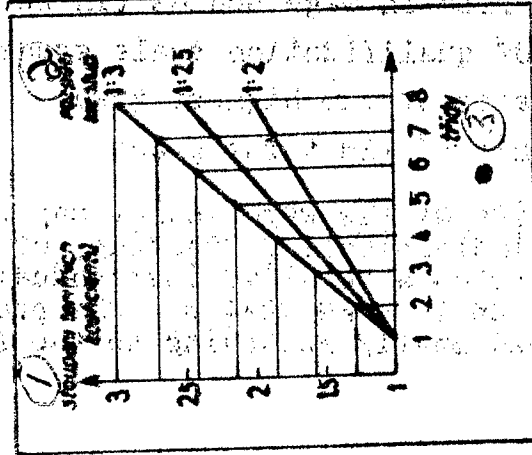
The nature of the rise of the wage scales may be either regular, progressive (increasing), decreasing, or irregular. We also distinguish between a relative (percentual) and an absolute (in koruny) rise in wage scales. The progress of wage scales is evaluated mostly according to the relative rise.

# Relative Rise of Wage Scales

Decreasing

Regular

Progressive



- 1) Rise of scale coefficients
- 2) Span of scale grades
- 3) Grades



The decreasing trend of the scales favors the jobs in the lower grades because the absolute rise of wage scales decreases here toward the higher groups. Decreasing schedules of wage scales are not used in our wage policy because they would lower the workers' interest in raising their qualifications. The most common is the regular rise of wage scales because it ensures a regular percentage and an absolute gain in the rise of wage scales toward higher grades. The use of the regular rise is very favorable because the work evaluation system has as a rule stiffer qualification requirements for rising from the lower grades toward the higher ones. The application of the progressive wage scale schedules assures preferential status to those who are classified in the higher grades. This principle is applied in industries where higher grades are identified by stiffer qualification requirements as compared with jobs that are classified in the lower grades (for example, typesetters in the printing industry).

Soviet economic literature expresses the schedule of wage scales in many cases by the wage scale of the first grade and by the schedule of wage scale coefficients, which expresses the relative ratio between the wage scales.

We shall illustrate that by an example showing the still prevailing schedule of wage scales for workers remunerated by piecework wages in the deep underground coal mining district of Ostrava-Karvin:

| Indicators                             | Qualification Scale Groups |      |      |      |      |      |      |       |
|--|----------------------------|------|------|------|------|------|------|-------|
|  | 1                          | 2    | 3    | 4    | 5    | 6    | 7    | 8     |
| Wage scale coefficients                | 1.00                       | 1.19 | 1.42 | 1.65 | 2.03 | 2.39 | 2.81 | 3.45  |
| Wage scales in koruny per hour         | 3.10                       | 3.70 | 4.40 | 5.10 | 6.30 | 7.40 | 8.70 | 10.70 |
| Relative rise of wage scale in percent | -                          | 19.4 | 19.9 | 15.9 | 23.5 | 17.5 | 17.6 | 23.0  |
| Absolute rise of wage scale in koruny  | -                          | 0.60 | 0.70 | 0.70 | 1.20 | 1.10 | 1.30 | 2.00  |

In a given case the nature of the wage scale schedule will be as follows:

|   |           |
|---|-----------|
| Number of qualification scale grades              | 8         |
| Span of wage scale schedule                       | 1:3.45    |
| Average rise of wage scale (percent)              | 19.4      |
| Nature of rise of wage scales                     | Irregular |
| Absolute level of wage scales of Grade 1 (koruny) | 3.10      |

#### Higher Wages Corresponding to Difficult Working Conditions

In the system of wage scales all workers engaged in operations under difficult working conditions are better remunerated according to the following methods:

##### a) By Work Grade (or Qualification Scale Grade)

This type of better remuneration expresses externally a higher qualification, because it raises the work grade by one or two degrees. For example, some work that, according to its qualification, would be classified in the fifth grade may be listed in the sixth or seventh grade as a result of factors that render it more difficult. Thus the grade, in addition to its qualifying nature, also has the nature of a wage scale. The present wage policies project the influence of difficult working conditions into qualification scale grades in most cases that involve difficult working conditions that affect the performance of specific operations or trades (for example, in the machine-building industry, the operation of welding by flame; the polishing of cast products with compressed sand, etc.).

The new wage system, on the other hand, does not take difficult working conditions into consideration in connection with the classification of work into grades; many industries solve the problem by evaluating the effects of difficult working conditions in the form of fixed hourly bonuses.

b) By a Higher Schedule of Wage Scales

This type of better remuneration for difficult working conditions is indicated when difficult working conditions involve all workers who are paid according to a specific schedule of wage scales. This will be the case for complete unit operations or for an entire industry. Present practice lists the following cases:

| Work under Difficult Conditions, Paid at a Higher Scale       | Difficulty Factor   | Rated Better than What Other Jobs?                 |
|---|---|--|
| Undergroun work in coal and ore mines                         | Eyestrain, heat, humidity, danger of explosion or cave-in   | Surface work                                       |
| In the steel mills proper, foundries, furnaces, rolling mills | Greater fatigue caused by heat; danger of accident, poisoning (in nonferrous metal industries); dust, noise | Work done under normal conditions                  |
| Manufacture of toxic chemical products or explosives          | Danger of poisoning, explosion, burns, etc.   | Work in the manufacture of non-dangerous chemicals |

c) By Means of Fixed Bonuses

This method remunerates every hour of work done under difficult conditions, regardless of the qualification scale grade, by a fixed hourly bonus in koruny, proportionate to the exposure to difficult working conditions. This method also requires the division of work done under difficult conditions into categories of fatigue.

The fixed bonuses will be paid when the difficult working conditions are either of a temporary nature or involve certain trades that are paid according to a specific schedule of wage scales.

The fixed bonuses are set at rates that apply uniformly to all grades. This is correct, because the effect of difficult working conditions is felt in most cases in the same way by

all workers under given conditions regardless of their qualification. This solution answers our present needs.

The existing wage policies do not decree bonuses for work done under difficult conditions. Bonuses will be used in conjunction with the transition to the new system of wages. When applied, they will exclude difficult working conditions as a factor in the classification of work according to grade.

### Socially Important Work and Its Higher Rating in the System of Wage Scales

The work of certain trades has great social importance inasmuch as it ensures the proportionate development and efficiency of the society's production. Under the present conditions we list among the socially important work the work of leading trades in key sectors of basic industrial production (the work of miners, steel workers, welders, metal workers, and construction and assembly workers engaged in the most important sectors of our industry), on which depends the outcome of the planned tasks in the industries which process basic materials.

The interest of the national economy requires an adequate supply of qualified labor in the most important sectors of industrial production in order to assure a balanced labor force for the leading trades in the key sectors of basic industries. The determination of the wage scales for the first grade, as well as the progress of wage scales, are therefore also guided by the social importance of the work done by workers paid according to a given wage line curve.

The higher scale rating is not the only method of better remuneration of socially important work. The problem of a higher rating of such work is also being answered by the system of loyalty bonuses, better vacations and better social security benefits, better apartments, better severance pay, etc.

The higher rating of socially important work finds its actual expression in the system of wage scales, making the wages corresponding to it more favorable than wages for comparable work requiring the same qualifications and effort and done under comparable working conditions. The purpose

of this system is to stimulate the interest of workers in socially important work.

Differentiation of workers' wages according to quantity of work done: This differentiation is not based on the system of wage scales; it is rooted in the system that regulates work by norms, which is vital for the organization of production. A separate chapter therefore deals with the problems relating to the differentiation of workers' wages according to quantity of work done.

\* \* \*

An analysis of the actual methods that assure the differentiation of the workers' wages according to the system of scales (that is, the system by which work is evaluated as well as the system of wage scale schedules), was supposed to give us an idea of the complexity of the mutually related problems to be solved in order to make the system of wage scales guarantee uniformity of work remuneration. It fulfills its task only if it can recognize all the basic differences between qualifications, type, and social importance of work in different industries and is able to translate them into the differentiation of earnings. There are many other elements that affect the productivity of the workers, among them the physical fitness of individuals, their mental condition, etc. Consideration of these elements would not be feasible and would also complicate the wage differentiation. It will therefore be advisable to have the wage scale system solve the problem of wage differentiation strictly according to the basic characteristics of the work.

#### Why Systems of Wage Scales Are Becoming Obsolete

There are several factors which contribute toward making the system of wage scales obsolete. The most important among them is the rise in the workers' nominal wages. It happens that the systems of wage scales are always prepared for long periods and their reform always requires large-scale preparatory work that is a complex wage, political, and organizational task. On the other hand, the rise in the workers' nominal wages under socialism is an ever-present vital law

and is one of the basic conditions that continuously promotes their material incentive to achieve ever better production results. With the system of wage scales remaining unchanged and the earnings of workers continuing to rise because of higher productivity, we necessarily register a decline in the wage scales as a factor and share in the earnings of workers. The importance of the wage scales and their regulating function is impaired by such an undesirable development as a steady decline of precisely the share of the wage that is coordinated by uniform state-wide policies (wage scales).

The process by which the system of wage scales is becoming obsolete is illustrated by the following example:

| Composition of Earnings<br>Five Years After the<br>Introduction of the<br>Wage Scale System, at<br>an Average Rate of<br>Increase in Monthly<br>Earnings (in percent) |       |       |       |       |
|---|-------|-------|-------|-------|
|   | 1.5   | 3.0   | 6.0   |       |
| Monthly earnings:   |       |       |       |       |
| Absolute  | 1,300 | 1,400 | 1,507 | 1,739 |
| In percent  | 100   | 107.7 | 115.9 | 133.8 |
| Wages according to scale*   |       |       |       |       |
| Absolute  | 975   | 975   | 975   | 975   |
| In percent  | 75.0  | 69.6  | 64.7  | 56.1  |
| Above-scale earnings**  |       |       |       |       |
| Absolute  | 325   | 425   | 532   | 764   |
| In percent  | 25.0  | 30.4  | 25.3  | 43.9  |

\*Because the increase in the scale wage in this case is minimal as a result of the rise in the average work grade (rise in the work qualification), this increase therefore does not count.

\*\*The wages above the scale consist of wages for surpassing production norms (paid for better than average production), wages by the piece, bonuses, payments for overtime, and supplementary wages.

Other reasons for the wage scale system becoming obsolete are changes in the organization of industrial production and fundamental changes in the technology of production and production planning.

The rise of new industrial sectors or a stepped-up development of individual sectors may cause a change in the sequence according to which the social importance of industrial sectors has been established.

Fundamental changes in the technology of production and in the technical work facilities within individual sectors affect the average work qualification in these sectors. Changes in the organization of production (for example, increased production line work) have the same effect.

Fundamental changes in the technology and in the technical facilities may also affect the working conditions in production and the share of physically difficult work.

All the above reasons may make it necessary to change the wage scale system (both the system of evaluation and the system of wage scale schedules).

For example, the development of technical facilities in a given sector is ordinarily accompanied by a declining share of physically difficult work because of mechanization. If the share of work that does not require higher physical effort registers a substantial rise, the difference between work of average difficulty and physically difficult work increases. Physically more difficult work consequently becomes less attractive, a fact that calls for an upward adjustment of its wage evaluation.

#### Efficiency of the Existing System of Wage Scales

The still existing wage scale system is a combination of the State Catalog of Jobs and the system of wage scale schedules for individual sectors. It was introduced between 1946 and 1948. In most industrial sectors it has not been changed since then.

Since the average wages of workers have risen substantially in all industrial sectors since 1948, the system of wage scales has become very obsolete in many sectors and the share of the scale wage in the average workers' earnings has been on a steady gradual decline. For example, when the existing system of wage scales was introduced the share of the scale wage in the machine-building industry amounted to 76 percent

but it dropped to only 48 percent in 1955. The same trend is noticeable in other sectors. The development of the share of the scale wage beginning in 1950 was as follows for some sectors of the consumer industry.

| Sector             | Development of the<br>Scale Wage in the<br>Average Hourly Pay<br>(in percent) |      |      |
|--------------------|---|------|------|
|                    | 1950  | 1953 | 1957 |
| Glass and ceramics | 92.2  | 71.4 | 57.2 |
| Wood industry      | 74.9  | 58.3 | 48.2 |

A marked decline in the share of the scale wage in the earnings of workers was registered in many other sectors--for example, in the chemical industry, in industrial construction, in the locally managed enterprises controlled by national committees (narodni vybory), etc. The wage scales are less obsolete in the basic industrial sectors, in the sectors supervised by the Ministry of Fuel and the Ministry of Metallurgy and Ore Mining. Government provisions decreed in 1951 a reform of the workers' wage systems. It gave a new impetus to the economic importance of the wage scales, which were substantially increased, particularly for deep underground coal and ore mining and for basic metallurgical operations.

The share of scale wages in the earnings of workers in the majority of industries is very low and it often does not even amount to 50 percent. The inadequate share of the scale wage in the earnings of workers weakened the regulating functions that secured a desirable wage differentiation according to work produced and according to industrial sectors.

The weakened economic function of the wage scale system was not brought about alone by the fact that nominal wages rose while wage scales remained stationary.

In the years following the introduction of the wage scale system, the system of job evaluation (catalogs of jobs) as well as the system of wage scale schedules became somewhat obsolete. Certain changes in economic production conditions required adjustments in wage differentiation, which has been so far ensured by the existing system of wage scales. For example, the priority given to the development of basic industries and investment construction, the stepped-up development of the machine-building industry, and the appearance of new production fields called for an intensified recruitment of



the labor force to work in those industries. These changes also raised the problem of stabilizing the labor force in conjunction with its new social assignment. The new changes were supported by a series of provisions, among them the provision concerning the differentiation in the planned rise in average earnings according to industries; this provision aims to secure a more rapid rise in average workers' wages in the socially most important industries.

There are industries still governed by the old schedule of wage scales that no longer expresses an adequate differentiation of the average workers' wages between industries. For example, it is not fair that the same wage scales should still prevail in industries that have diametrically opposite social scopes: heavy construction industry, textile industry, food-processing industry, local economy managements, agriculture, forestry, etc.

The wage scales still in effect do not make adequate allowances for the degree of work difficulty. For example, the difference between the wage scales applying to normal and so-called hot operations is absolutely negligible (about 0.10 of a koruna); however, the average earnings of workers engaged in hot operations are considerably higher than the average earnings in normal operations. The hot operations are rated higher by the catalogs of jobs, inasmuch as they are also classified in higher grades; but even such a twofold higher rating does not fully express the difference between actual earnings in normal and hot operations.

#### New System of Wage Scale Schedules

The schedules of wage scales that are to be formulated in conjunction with the reform of the workers' wage systems are based on the following principles:

They are linked, according to industries, to the qualification scale catalogs. This means that separate schedules of wage scales are decreed for individual industries, trades, and production categories. There is one exception--namely, that of the schedule of wage scales for the service trades; this schedule is compulsory for all production industries, regardless of their social importance.

The industrial schedules of wage scales are compulsory for all enterprises, factories, and large operations in a given industrial sector, regardless of which ministry they are subordinated to. For example, the schedules of wage scales applying to the first category in machine-building plants are binding for the machine-building operations in metallurgical plants.

The absolute maximum of the new schedules of wage scales is designed to give the wage scale a share of 80 to 90 percent in the hourly earnings paid by hourly wages; in wages paid by the piece, the share of the wage scale will range between 75 and 80 percent. This system assures that the regulating function of the new schedules of wage scales will achieve a differentiation of wages according to qualification, physical effort, difficulty of working conditions (if not expressed by a higher grade or by a fixed bonus), and the social importance of the work.

According to the schedules of wage scales for piece work, in the majority of industries it has a better rating than hourly work.

The more difficult working conditions that affect all workers in specific industries or in complete operational units will be expressed by a higher schedule of wage scales.

When the effect of difficult working conditions is not expressed either by a classification as a higher grade or by a higher wage scale, we shall pay fixed hourly bonuses for each hour of actual work produced under difficult working conditions; the bonuses will be differentiated according to four categories of the degree of difficulty.

The application of the new wage scale system leads in a number of industries to either a greater span in the wage scales or to a greater differentiation of the wage scale for the first grade; this assures a better rating for qualified work as well as for physically difficult or socially important work.

Here is some of the basic directional information on the differentiation in the new wage scales according to selected industries.

| Industry                            | Number of Grades in Wage Scale | Relative Ratio of Hourly Scale Wages in Grade 1 (Textiles = 100) |         | Span of Wage Scales | Relative Increase of Wage Scales |
|-------------------------------------|--------------------------------|--|---------|---------------------|----------------------------------|
|                                     |                                | Former   | Present |                     |                                  |
| Ore mining                          | 8                              | 138  | 142     | 1:2.06              | 10.8                             |
| Basic metallurgical production      | 10                             | 111  | 127     | 1:2.70              | 11.7                             |
| Category I and II machine-building  | 8                              | 99   | 109     | 1:2.42              | 13.5                             |
| Category I chemical industry plants | 8                              | 105  | 109     | 1:2.42              | 13.5                             |
| Food industry (other products)      | 8                              | 94   | 100     | 1:2.00              | 10.4                             |
| Textile industry                    | 8                              | 100  | 100     | 1:2.00              | 10.4                             |

The application of the qualification scale catalogs and the increased scale wages of the wage schedules depends on the formulation of technically justified output norms for wages by the piece paid for labor this is regulated by norms.

## 2. Types of Wages

Wage types are a complement to the system of wages and to the system of wage scales. Workers receive their pay in accordance with two basic wage types: by the piece and by the hour.

The piecework wage is the leading wage type at this time. Until recently, better than 70 percent of the workers were paid by our industries in wages for piecework.

Wages for piecework are paid to a worker whose work is regulated by norms and whose wages depend primarily on the fulfillment of tasks regulated by norms. The more norm-regulated work he is able to complete within specified time limits (per hour, per shift, or per month) the higher are his wages (per hour, shift, or month). Because of the fact that qualified, difficult, and socially important work is classified in different qualifications grades and evaluated by different wage scales, the amount earned by workers for piecework therefore depends not only on the quantity of work done but also on its qualification, difficulty, and social importance.

The great advantage of wages for piecework is that they link the results of the work achieved by the worker in his effort to fulfill the norm regulating the planned productivity directly to the amount of his remuneration. Production norms that stress quality and are technically justified promote, with the application of wages for piecework, coordination between the interest of the society in the growth of labor productivity and the interest of workers in seeing their wages rise.

The earnings of workers from piecework are determined by the sum total of piecework rates for all work actually done, technically controlled, and approved within specified time limits.

There are several varieties of piecework wages. To begin with, wages for piece work may be either individual or collective.

Individual wages for piece work are the most common wage type in most industries--e.g., in the machine-building industry. The remuneration in direct wages by the piece has an influence primarily on the output of the individual worker.

Collective wages for piecework are common in the construction industry. Collective wages are paid to a group of workers engaged jointly in a task regulated by norms, whereby their earnings depend on how they fulfill their task. This type of wage is common where the fulfillment of work regulated by norms requires the cooperation of several workers; the cooperation in this case is dictated by the economy with which the progress of the work has to be effected in compliance with prescribed methods of work.

The collective earnings of workers depend on the extent to which they fulfill their tasks. The earnings of the individual members of the collective are graded according to the number of hours they worked and according to their qualifications; the new wage system considers the degree of their effort at work, on which decision is made by the foreman with the concurrence of the members of the working collective.

Another type of wages for piecework is the progressive wage for piece work. This is distinguished from ordinary wages for piece work by the fact that a worker who achieves an output above the limit set for the fulfillment of norms (e.g., above 110 percent) is remunerated by higher rates for

piece work. There may even be several of these limits; we then distinguish accordingly between progressive wages for piece work for the first, second, and third degrees. Progressive wages for piece work are actually a material incentive to stimulate overfulfillment of production norms. They will be applied only in connection with tasks that are regulated by technically justified norms.

The use of progressive wages for piece work increases the production costs by the share of wages for labor remunerated by this type of wage. Their general use cannot therefore be recommended. They should be applied only when the higher share of wages in the production costs is offset by savings on the cost of wages paid in other directly connected operations.

This is the case, for example, where progressive wages for piece work are applied in a small working area where the production potential is low and therefore limits the expansion of the production in directly connected place of work. Consequently, the higher costs of wages arising in small working areas are offset by savings achieved through lower production costs resulting from a higher fulfillment of the plan in the entire operation, plant, or enterprise.

Progressive wages for piecework are intended to be wages of a temporary nature; this is evident from the preceding considerations. Once the small areas are eliminated there will no longer be any reason to apply this type of wage.

Several industries supplement wages for piece work by means of bonuses paid to workers. These are wages for piecework with bonus; they are either collective or individual. The bonus supplementing the wages for piece work is common in industries subordinate to Ministries of Fuel, Metallurgical Industry, and Ore Mining and in the consumer and food supply industries. Bonuses supplementing wages for piece work may be either quantitative or qualitative.

Quantitative bonuses supplementing the wages of piece work are used as a rule in situations that require, in addition to stimulation of the individual incentive of workers to increase their earnings, an intensified material incentive of the entire collective of the plant or operation toward the fulfillment and surpassing of the plan or increasing the regular fulfillment of the plan. This method of remuneration by bonus is quite common in industries subordinate

to the Ministry of Fuel and Ore Mining and in many other sectors using collective production facilities.

Qualitative bonuses are used where the interest of workers in increasing their output could endanger the quality indicators. In connection with the qualitative bonuses, a part of the wages is paid in accordance with the quality of the product (for example, a higher portion of first-quality products), the amount by which a worker reduces the production costs, the lower rate of equipment breakdown, the savings on materials, power, and fuel, or in accordance with other convenient indicators.

Wages by the hour are very common when it is either impossible to create conditions that would be appropriate for the application of wages for piece work or where the creation of these conditions would not be economical. Earnings of workers paid by the hour depend primarily on the number of hours actually worked during one month and on the assigned individual (or qualification scale) grade.

Wages by the hour also come in different types. The ordinary wage by the hour is paid to workers strictly according to the number of hours worked and the respective wage scale.

Some of the auxiliary occupations are remunerated by ordinary hourly wages.

In wages by the hour with bonuses, the rate of earnings depends on how the qualitative and quantitative indicators are fulfilled. They are applied where work cannot safely or economically be regulated by norms but it is at the same time important to fulfill certain indicators to which bonuses are applicable. We refer to work in warehouses, the services of chief mechanics, work in tool shops, internal transportation of the plant, etc.

The existing wage policy as well as the new wage system will apply other types of hourly wages, such as hourly wages with efficiency bonuses and hourly wages with a sliding wage scale. These two types of wages by the hour differ as follows: in one the worker's earnings in the form of hourly wages are increased by an efficiency bonus (individual) that always depends on the effort of the individual worker; in the other, individual workers are assigned higher wage scales within the established span according to predetermined principles (length of experience, individual ability, and pro-

duction results, or by another method that promotes increased productivity, etc.). Hourly wages with a sliding wage scale are common among the majority of workers engaged in the principal occupations in the power industry. Hourly wages with efficiency bonuses or with a sliding wage scale are used for the remuneration of workers whose work can neither be safely regulated by norms nor be made subject to the payment of bonuses.

### Economic Significance of the Various Types of Wages and the Method of Selecting Them

The economic function of the various wage types in the system of workers' wages is based on the fact that, by using the correct wage type as a remuneration according to actual technological and organizational production conditions prevailing in individual industries, we are able to reconcile efficiently two different interests: the interest of the society in increasing the social productivity and the interest of individual workers or categories of workers in increasing their own earnings. The various types of wages therefore make it possible to apply to the individual places of work the state-wide principles of wage differentiation rooted in the system of wage scales; they make it possible to achieve the planned rate of earnings provided that the determined quantity and quality production results are fulfilled; the production results are in turn desirable, inasmuch as they promote the fulfillment of the state plan with favorable indicators.

Equally as important as centralization in matters of a uniform method by which workers' wages are differentiated according to socialist principles of work remuneration is decentralization in matters of selecting the appropriate wage type that must derive from actual production and organization working conditions.

For example, in electric plants the quantity of electricity produced is a direct result of the output of the plant's equipment and the utilization of the working time of that equipment. The operation is controlled mostly automatically. Under these circumstances it is not recommended to gauge the earnings of workers by their individual output; the nature of their work lies in supervising the operations of the production equipment and in running the production process economically. This

type of work requires high qualifications and responsibility for the entrusted equipment; workers engaged in these operations have to call attention in time to any defects that could endanger the smooth performance of the equipment. The obviously most efficient type of wages in this instance will be wages by the hour combined with the sliding wage scales.

In the mining industry, such as coal and ore mining, on the other hand, the basic condition for successful fulfillment of the production tasks consists in increasing the amount mined per worker. The principle of output is therefore the one that determines the type of wage. In this connection, the nature of the technological and operational methods requires the collective cooperation of the workers as well as a time schedule for coordination of the work in the respective mining sectors. These conditions will be best met by individual and collective wages for piece work combined with bonuses for fulfilling the mining plan.

There are quite different principles to be applied for the selection of the type of wages to suit conditions in the chemical industry, the construction, metallurgical, machine-building, or food supply industries. The method of determining the wage type, with the organization of production predominantly geared to a production-line or bulk output, will be different from the method that determines wages for small-scale or piece productions.

In selecting the appropriate type of wage, we must always take into consideration the quality and quantity indicators, to which we have to link the material incentive of individuals and categories of workers in order to achieve the maximum production results.

#### Existing Practice in the Application of Wage Types

The economic effect of the wage type [system] is inadequate in industries where the share of the scale wage in the average worker's earning is low.

For hourly wages the low incentive of wage types may be traced to the high share of bonuses in the worker's earnings, which offset the difference between the scale wages and the planned level of average earnings, the average bonus paid to



workers paid by the hour for ordinary operations in the fifth grade in 1957 amounted to:

|                             | <u>Percent</u> |
|-----------------------------|----------------|
| In heavy machine-building   | 106.8          |
| In construction             | 79.4           |
| In the chemical industry    | 92.1           |
| In the food supply industry |                |
| In the canned food industry | 40.8           |

The economic significance of bonuses because of their high share in the average earnings is weakened, since the payment of bonuses is subject to the fulfillment of indicators and conditions required by the bonuses. This assures the bonus payment to its maximum extent, regardless of whether or not the basic quantity and quality indicators on which the production efficiency depends have been fulfilled. Many enterprises are paying bonuses in identical amounts regardless of the degree to which the most important tasks of the state plan were fulfilled. It is obvious that in these instances the bonus is a permanent supplement to the hourly wages that offsets the difference between the low level of the wage scales and the planned average earnings rather than a real bonus.

When the total amount that is paid as a bonus is divided into several bonuses, the bonus system and its incentive is weakened. Any type of wage that is too complicated has a lower power of incentive, because the workers fail to understand it.

The unsatisfactory results of wages for piece work are caused primarily by shortcomings in the process of establishing work norms and by low quality production norms. In industries with ordinary wages for piece work (machine-building, construction, wood and food industries), the production norms are in the average surpassed to a very high degree as a result of the low share of the scale wages in the piece work earnings. This occurs because the established production norms come with new elements added--the so-called time supplements. These offset the difference between the average capacity to fulfill the production norms and the level of planned average earnings.

The use of time supplements does not necessarily weaken the incentive power of the piece work wages, provided that they are determined in connection with balanced quality output norms in the same amount for all grades. We thus assure

the desirable differentiation in the workers' wages according to the qualification and the quantity of work done. The existing wage practices of the majority of industries do not follow these conditions. The time supplements that are used in connection with these output norms are furthermore not determined uniformly according to grade, trade, and plant.

The shortcomings in the application of wages of piece work have become even more serious during the past few years, because wages for piece work were used to remunerate work for which it was impossible to create all the required conditions that must be observed if wages for piece work are to be applied (we call these fictitious piecework wages); there have been other factors that caused similar problems: the lack of enforcement of the principle according to which it becomes imperative to change the norms. This is the case where new technical and organizational provisions lead to a reduction of the time required to complete work regulated by norms. All these factors have combined to considerably weaken the economic efficiency of the wages for piece work.

#### Measures Tending to Increase the Efficiency of Wage Types

In an effort to improve the efficiency of the wage type [system], several highly important measures have been enacted during the past few years on the initiative of the State Wage Commission (Statni Mzdova Komise). The Resolution of the State Wage Commission of 4 October 1956, concerning principles of bonus payments and the introduction of progressive wages for piece work, prepared the basic rules to guide the bonus payment policy. They can be summarized as follows:

a) The bonus is to be sufficiently simple and comprehensible to the workers who are recipients of this remuneration.

b) The bonus indicators and conditions are to be selected so as to lead workers benefiting from bonuses to increase their productivity to the maximum; in other words, bonuses are to be used to remunerate only a category of workers who are instrumental in fulfilling the indicators and conditions required for bonus payments.

c) The number of bonus indicators and conditions should be kept to a minimum in order to prevent any bonus from becoming incomprehensible.

d) During the process of determining the bonus indicators we must select conditions for bonus payments that exclude any deterioration of the other output indicators. It could happen that the interest of the worker receiving a bonus payment could be directed solely toward the fulfillment of the bonus indicator.

e) According to the varying degree to which the bonus indicators and the conditions are fulfilled, we have to assure economy in the expenditures of means earmarked for wages.

f) The fulfillment of bonus indicators and conditions should be easy and simple to record.

The Government Resolution of April 1957 on some of the principal wage problems laid down provisions for all ministries for the gradual elimination of the fictitious piecework wage. The piecework wage had to be replaced by some other convenient type of wage wherever it was impossible to create all the conditions required for the economically efficient functioning of piecework wages.

The above clauses were later incorporated into the principles for the reform of the system of workers' wages, as follows:

"Wages for piece work will continue to be the most common type of wage to be applied wherever they are economically indicated.

"They should not therefore be applied where:

a) it is impossible to determine reliably in advance the method and quantity of work and it is therefore impossible to determine the output norm in advance;

b) no control of completed work is possible in terms of quantity or quality and the increased output of a worker could lead to a poor quality product;

c) determination of the norm and the control of completed work calls for an administrative effort that costs less than the advantage offered by the piecework wage;

d) the operation is regulated by the performance of the production equipment or by a perfect organization of production, whereby the worker has no influence on the operation;

e) its application would endanger the life and health of the workers."

Some improvement has already been registered in the bonus payment practices and in the gradual elimination of fictitious piecework wages, as a result of the above-mentioned measures. The majority of ministries use typified bonuses, whereas work remunerated by fictitious piecework wages is gradually being transferred to hourly remuneration.

Regarding the improvement in the economic efficiency of bonuses, we have a significant example in the bonus payments to workers in the Ostrava-Karvin coal mining district. There the double bonuses for cycle performance, the progressive bonuses, and the bonuses for the fulfillment of the mining plan were replaced by a single collective bonus for the fulfillment of the mining plan. Similar measures have been implemented in many other industries, such as the industries subordinate to the Ministry of Metallurgical Industry and Ore Mining and the Ministry of Consumer Goods and Food.

There is a gradual improvement in the efforts to eliminate fictitious piecework wages. There has been a decline in the hours during which work was done for piecework wages, according to the data available for the past few years:

| Enterprises Subordinate to<br>the Following Ministries    | 1955 | 1956 | 1957 | 1958 |
|---|------|------|------|------|
| Fuel  | 50.2 | 60.2 | 56.5 | 53.9 |
| Metallurgical Industry and Ore Mining                     | 71.0 | 68.5 | 66.9 | 57.9 |
| Automobile Industry and Agricultural<br>Machines (former) | -    | 81.0 | 70.3 | 64.7 |

Even though the economic efficiency of the wage types used is steadily improving, we must be aware of the fact that a basic improvement of the low share of the scale wages in the average worker's earnings can be realized only after the formulation of the new wage systems, fully restoring the importance of the wage scales.

In accordance with the principles governing the reform of the systems of workers' wages, the share of the scale wage in the hourly wages is to be increased for workers remunerated by piecework and by hourly wages so as to make the above-scale average wage amount to:

a) approximately 10 to 20 percent of the average hourly earnings in hourly wages;

b) approximately 15 to 25 percent of the average hourly earnings in piecework wages.

Under these conditions it will be possible to apply bonuses that are economically fully justified and production norms that are technically justified.

The revision of the existing wage types that will go into effect while the wage reform is being gradually implemented will contribute to the broader application of the collective type of wages whose economic significance has not yet been fully appreciated. Furthermore, bonus payments are to be expanded for workers remunerated by piecework wages, for two reasons: firstly, for the purpose of offsetting the unilateral interest of workers in increasing their individual output by their interest in fulfilling quality indicators; secondly, for the purpose of realizing the planned increase of the average earnings not simply through higher fulfillment of production norms but also through bonuses. This will prevent the recurrence of time supplements to the norms in the years following the enactment of the wage reform.

Considering the fact that the number of workers paid by the hour is steadily increasing, provisions will also be made to assure adequate productivity among workers paid by hourly wages. To do this we shall have to regulate their work with norms--norms for the service and maintenance of the places of work or norms for the numerical status of these workers.

The norm regulating the service and maintenance of the place of work will determine the number of workers required for the maintenance and service of a specific piece of equipment or production facility.

The norms regulating the numerical status of workers specify the number of workers remunerated by hourly wages belonging to a specific trade and required for a specific work sector. These norms are, as a rule, determined in relation to either the number of workers remunerated by piecework wages or to the production potential of a given operation or plant. We refer to the number of warehouse workers, etc.

To determine these work norms, we must be guided by the experience of the best organized plants and operations within a given industry. Furthermore, these norms will be subject

to revision any time that the organizational or technical conditions change; this principle already applies to the output norms. The correct work norm will reflect the rise in labor productivity and workers remunerated by fictitious piecework wages will be paid instead by one of the hourly types of wages.

### III. Regulation of Work by Norms

The regulation of work by norms pertains to the organization of production. It determines the socially required amount of work for the completion of individual operations according to specific organizational and technical conditions. The quality of the work norms strongly influences both the remuneration of workers and the efficiency of the production.

As a guide to remuneration, the efficiency norms are instrumental in differentiating the wages of workers who are paid by piecework wages, in accordance with the quantity of work produced.

They are what gives the finishing touch to the differentiation of workers' wages assured by the system of wage scales in accordance with qualification, physical effort, influence of working conditions, and the social importance of the work. The use of norms in connection with remuneration makes it possible to express the amount of work actually produced by a worker within a set time limit (hour, shift, month), relate it to the amount specified by production norms, and thus evaluate the worker's earnings accordingly.

The interdependence between the quantity of work produced and the earnings from wages for piecework creates among workers remunerated by piecework wages a direct material incentive to increase their productivity to improve their earnings.

According to actual practice prevailing in the plants, there are two types of norms in use: the time norm and the quantity (output) norm. The time norm expresses the time (usually in terms of minutes) required by an experienced and qualified worker to complete a specific operation under organization and technical conditions prescribed for the production process. The output norm is the inverse value of

the time norm. The output norm expresses the quantity of production (products, parts, operations) to be completed by a worker under identical conditions during one hour, shift, or month.

The output norm and the difference in its expression simplifies the computation of the earnings for piecework. The time norms are used particularly in piecework production and in small-scale production lines with frequent work alterations; the work requires for its completion a different length of time; the work regulation by norms is therefore appropriately expressed in terms of time. On the other hand, the use of output norms is desirable in run-of-the-mill production and large-scale production lines with a high rate of work repetition. In this instance, the work regulated by norms is best expressed according to the actual quantity produced--that is, in terms of quantity norms.

The output norms must be technically justified in order to fulfill their function of gauging the quantity of work produced. The technically justified output norm expresses the socially required length of time for the completion of a work order (under conditions prescribed for the production process) by an experienced and qualified worker. The production and working conditions that are prescribed for the production process must be based on the economically most efficient use of power, material, production facilities of the place of work, and the working time fund of the worker. We must make sure that such conditions really exist and are actually attainable. Working conditions must not violate any sanitary or safety regulations.

In addition to the technically justified norms in the plants, we also have statistical and estimate norms. They do not correspond to the conditions that are required for the creation of technically justified output norms. They usually include time reserves, because they indicate longer time limits than are specified by the technically justified norms. Therefore, according to the norms that include time reserves, higher earnings are possible with less work effort than is required by the technically justified norms. The use of these norms lessens the interest of workers in increasing their productivity, because higher earnings depend on the quality of a norm rather than on the quantity of work produced.

The statistical norms are based on data concerning the time that was required in the past for the completion of a specific

task. Inasmuch as the production and working methods are constantly improving, the statistical norms lead the workers to produce less than is possible with the presently available facilities.

Estimate norms are based on actual experiences with norms. The estimate of the time socially required for the completion of a specific task differs widely in the majority of cases from its actual length. Experience of long standing teaches us that there are large time reserves, especially in these norms.

The simultaneous use of technically justified, estimate, and statistical norms creates an imbalance in the output norms for production. They get out of balance because of the different levels of time reserves in the estimate and statistical norms and because of the imbalance in the estimate and statistical norms proper.

The shortcomings of the norms result directly in the shortcomings in remuneration. It is therefore in the interest of the workers to see the share of the technically justified norms rise to a maximum level and to get an equally favorable remuneration for all work.

The output norms and their quality composition have a strong influence on the efficiency of production. The use of technically justified output norms directs the production toward an optimum utilization of production facilities and of the working time fund of the workers. The reason for that is that the production methods supporting the technically justified output norms require:

- [a] the most efficient use of production equipment, tools, instruments, and technical facilities of the place of work;
- [b] progressive organization of the production methods;
- [c] progressive organization of labor;
- [d] economical use of power, raw material, and goods;
- [e] average intensity of work;
- [f] safeguarding of sanitary and safety regulations.

All output norms based on the above-mentioned production methods are reliable data for the preparation of progressive production plans; they are, furthermore, efficient instruments for operational planning and a reliable basis for the preparation of the cost of wages represented in a product.



The estimate and statistical norms create a series of difficulties in production. Particularly with their conditions for piecework production and small-scale production lines, they interfere with the organization of production and work because they lead to a preferential grouping of "profitable" work into operation plans. "Unprofitable" work is delayed and the completion of products becomes irregular, causing considerable loss of time to directly connected places of work and their operations. When the quality of output norms is low, the production facilities are not utilized adequately, the use of the working time fund of the worker is inadequate, and the disparities in workers' wages grow.

The application in the production of the estimate and statistical norms with provisions for time reserves, idle production facilities, and loss of time does not stimulate better preparation and organization of production and work; these reserves and idle periods are "paid for" by the norms and at the end of the month it is possible to catch up with the delays. We do not have to emphasize the amount of losses thus caused to the society and indirectly to every worker. Failure to use the production potential means a failure to use an opportunity to raise the standard of living.

The poor quality of output norms also greatly affects the work of foremen and technicians who are responsible for the preparation of the production.

The application of technically justified output norms requires that the respective places of work prepare all work in accordance with conditions for which the norm was prepared. This considerably taxes the work of technicians who are responsible for the supply of material to the place of work, for keeping production facilities in good working order, for the delivery on time of all necessary production aids, instruments, and tools to the place of work, and for the work of foremen who directly organize the production.

The effort to improve the output norms by increasing the share of technically justified norms wherever possible in the production is important in matters of remuneration. Its importance is even greater in matters of production, because the use of technically justified norms means the actual use of technological production reserves, the application of a progressive production organization. The result is a high level of labor productivity within the limits offered by the production potential.

## Regulation of Work by Improved Norms While the Wage Reform Is in Progress

One of the fundamental goals of the wage reform is to substantially improve the quality of the work-regulating norms. It would not make sense to reform the system of wage scales without doing anything about changing the existing imbalance of our norms. Shortcomings arising from regulating work with poor quality norms would obliterate the wage differentiation according to quality, nature, and social importance of work and would reduce their regulating function.

Therefore, at the time of applying the differentiated higher wage scales and the qualification scale catalogs, we have to make provision for improving the work-regulating norms.

The preparation toward completing the wage reform concentrates primarily on the area of regulating work by norms. The application of higher wage scales and qualification scale catalogs requires the use of technically justified output norms and a minimum use of estimate and statistical norms. In order to accomplish this task, we have to revise our output norms and production methods before decreeing any new wage scales.

The entire work program must naturally start with a revision of production methods. The technically justified output norms must be supported by technically and economically justified production methods.

The revision of the production methods is primarily concerned with simplification and perfection. Simplified production methods create conditions for simplified work-regulating norms, thus promoting economy in the work of the technology and norm specialist and a more streamlined accounting operation. The time-honored formula for streamlining production methods is their grouping, uniformity, unification according to trades, and standardization. The perfection of production methods has to be felt in all principal directions. We have to examine the possibility of intensifying technological methods (in machine production) and the possibility of perfecting the organization of the production and working methods. We must also examine the possibility of changing to a more advanced technology, of reducing the consumption of material, of replacing material in short supply with substitute material of the same quality, of saving on power, etc. We are therefore led to the conclusion that the revision of

production methods actually amounts to the discovery of new reserves in production and their utilization by incorporating the benefits of advanced technology and organization of production and work into technological methods.

To make the revision of production methods really efficient, we have to prepare and implement them in cooperation not only with the technologists but also with production planners, foremen, experienced, workers, and refiners. The revision of the methods must coincide with the preparation of a plan for technical and organizational measures so as to utilize reserves arising from the new established and carefully controlled production methods. According to these technical preparations that precede the computation of technically justified output norms, the wage reform is devised to comply with the demand for a faster rise in labor productivity.

The work on the revision of production methods and on the preparation of the respective technical and organizational measures has to be accompanied by the preparation of technically justified output norms according to the data on which the norms are based and observing all principles required for their creation. The principles were adopted by the resolution of the State Wage commission, No 60 of 2 October 1958, on Provisions Promoting the Improvement of Work Regulating Norms.

The purpose of revising the production methods and output norms is to eliminate all time reserves that are contained in the statistical and estimate norms. These time reserves will be utilized by appropriate technical and organizational measures at the places of work where they have been discovered. The provisions assuring the utilization of time reserves promote the growth of labor productivity in production and protect the workers from a reduction in their wages in specific cases.

The revision of the production methods and the output norms will be carried out gradually. It will be done first in the basic operations for the most frequently occurring technological and working methods.

The new technically justified norms are to be introduced immediately after they have been prepared and discussed with the workers. When they are introduced in the places of work they must be supported by all conditions that are required to assure their fulfillment. It is therefore not sufficient to

have the new technically justified norms merely decreed; it will also be necessary to secure favorable conditions for their fulfillment, particularly as far as the preparations for work are concerned (to assure the continuity of supply to the place of work of material, power, equipment, instruments, technical documentation; elimination of factors causing breakdown of equipment, and other failures to comply with the terms set by the output norm). The application of technically justified output norms along these lines will increase the demands on the work and services of technologist, foremen, workers in supply organizations, and all technicians engaged in preparing and responsible for the smooth operation of work and production.

The application of technically justified output norms prior to the enactment of the higher wage scales requires the temporary use of norm supplements. Until the new higher wage scales are decreed, the norm supplements will help to reconcile the discrepancies between the low level of wage scales and the level of planned average earnings. In connection with technically justified output norms, the time supplement will progress gradually according to grades in order to conform to the differentiation of the new wage scales to be applied for the respective grade of workers at the time of the transition to the new wage system. The average rate of the time supplement has to be devised to prevent the piecework rates (according to technically justified norms and to time supplement) from exceeding the new piecework rates (according to the new scale specifications for the respective tasks). The time supplement must be listed in all work documents, separately for each norm (provided that it is not expressed by coefficients to wage scales). The moment the new wage scales are decreed, the time supplement (or its coefficient) will be canceled.

It is assumed that when the higher wage scales are decreed and applied, the average at which it will be possible to fulfill the technically justified norms (at an average per enterprise) will range anywhere between 100 and 130 percent.

The average at which it will be possible to fulfill said norms will vary from a lower average in mass production and large-scale production line operations (100 to 110 percent approximately) to a higher average in the medium-scale production line (105 to 120 percent approximately), with the highest average being for small-scale and piecework production (115 to 130 percent approximately).

The varied range of the average capacity of an enterprise to fulfill the technically justified output norms according to the type of production depends on the following factors: the variable accuracy of the data that support the norms and/or the individual norms and the variable measure of specialization and stabilization of the technological and working methods. These are the conditions that determine the higher or lower degree of the average fulfillment of the norm. The comparatively low range of the average capacity of the enterprise to fulfill the output norms does not mean that the average capacity to fulfill the output norms could not be raised in individual operations, in workshops, and particularly with respect to individuals. The setting of the potential limits for the average capacity to fulfill the technically justified output norms in accordance with the above-mentioned principles and at the time that the new system is enacted is not equivalent to the use of the so-called "wage ceilings."

It is assumed that in the years following the enactment of the new systems the average capacity to fulfill the technically justified output norms will gradually increase in conjunction with the rise in the workers' qualifications, experience of labor, and working conditions.

Regarding the average capacity to fulfill the other norms (the estimate and statistical norms), it is assumed that after the wage reform is completed there will be sufficient safeguards against a higher rating of work supported by estimate and statistical norms than of work that is carried out according to technically justified norms. These measures follow the policy of favoring earnings for work done according to technically justified norms and of promoting the material incentive of workers to switch to work done according to technically justified norms.

The measures enacted for the purpose of improving the norms that regulate work, to be applied prior to the wage reform, are not propaganda measures. Our policy is to continue, even after the enactment of the new systems, to improve our standards for regulations by norm and to go on increasing the share of technically justified norms. This requires an unceasing and consistent perfection of the basis supporting the creation of norms and adherence to all principles that were established for the revision of output norms.

\* \* \*

It would be an understatement to maintain that only small amounts were used to pay for the wages of technical-economic workers. The wage funds of technical engineering and administrative workers in industry and construction increased by 1.7 billion koruny, or 30 percent, between 1953 and 1957. The growth of the wage funds of the technical-economic staff continued during the period at a much faster rate than the wage funds of workers, which rose only 23 percent. Their number rose quite rapidly at the same time--particularly the number of technical-engineering workers,<sup>1</sup> which rose at a rate that was definitely faster than that of the manual workers. As a result, the growth of the average wage of technical-economic workers has been lagging behind that of the workers. There has been a continuous trend toward a broader disproportion of earnings that started before the currency reform, at which time the workers' wages were growing at a very rapid rate.

The growth of the number and share of technical workers in production is a law of evolution originating in the trend toward rising technical production standards and technical progress. Because of shortcomings in the management of the economy and a lack of interest on the part of enterprises in maintaining an economically justifiable ratio between manual and technical-economic workers, the number of technical and administrative workers was rising faster than was required by the rise in the technical production standards and the level of management. Thus there was an oversupply of administrative workers on all management levels.

The situation called for the following solutions:

a) A linking of the reform of the salary and bonus system for technical engineering and administrative workers in production to a rise in the level of their earnings and bridging the gap of the existing disproportions.

b) In line with the general effort to achieve a higher efficiency for the national economy and particularly in management, the reform will have to be made from the internal resources of industries and enterprises; the means to cover [the increased wages] will have to be secured by reducing the planned technical-economic staff by 6 percent according to appropriate internal measures.

As a result of the measures taken during the reform to increase the earning level of the technical-economic force, the

average earnings of this category of workers have increased in all industries. The ratio of technical and manual workers' earnings, which was poor during the preceding development, registered a favorable improvement.

The ratio between the average earnings of manual workers (100 percent) and technical engineering and administrative workers is as follows:

[D = manual workers; ITP = technical engineering workers;  
A = administrative workers]

| Ministry                  | Before Reform |     |    | After Reform |     |     |
|---------------------------|---------------|-----|----|--------------|-----|-----|
|                           | D             | ITP | A  | D            | ITP | A   |
| Metallurgy and Ore Mining | 100           | 124 | 77 | 100          | 132 | 83  |
| Heavy Machinery           | 100           | 118 | 78 | 100          | 127 | 84  |
| Consumer Industry         | 100           | 135 | 99 | 100          | 152 | 102 |

The new system creates conditions that favor a higher quality of management. It promotes the trend toward having qualified workers apply for foremen's and technicians' jobs and increasing the cadres of the technical intelligentsia in the factories from among the working class.

The reform of the salary and bonus systems for the technical economic staff created an important basis for the reform of the system of workers' wages.

The importance of this provision for the national economy reaches beyond the scope of the wage systems. The reform of the salary and bonus systems for technical, economic, and administrative workers is one of the conditions that permits a full expression of the advantages of the new method of managing the economy, based on a consistent application of democratic centralism and on a broad development of initiative among the masses of workers.

#### 1. The Salary System of Technical, Economic, and Administrative Workers

Socialist industry uses two types of payment systems for technical-economic workers in production--the system of scale grades and the system of salaries according to function. The

two systems are distinguished by the method of evaluating the workers. The system of grades has a scale of basic salaries that is applied according to the classification of workers of individual qualification grades. The system of functional salaries determines the basic pay according to the qualification requirements specified for each function on the basis of a pattern of functional positions.

Our economy uses the system of functional salaries only on a very limited scale (for workers engaged in transportation, in agriculture and forestry). The industry uses the system of scale grades, which is also the platform for the current reform of the salary and bonus system for technical engineering and administrative workers.

The basic elements of this system are the scale catalogs (sometimes referred to as the lists or nomenclature of positions). They specify the qualification requirements for the classification of workers of the technical-economic staff in scale grades.

For the purpose of work remuneration, the catalogs divide the workers of the technical-economic staff in production into two categories--the technical engineering and the administrative categories.<sup>2</sup>

Individual sectors use catalogs wherein the number of grades varies. The food industry and production enterprises subordinate to the Ministries of Health and of Education and Welfare classify the technical engineering workers in 15 grades and the administrative workers in 16. The consumer industry, transportation, foreign trade, and production cooperatives use 16 grades for technical engineering workers and 17 for administrative workers. All other sectors likewise use 17 grades for technical engineering and 18 for administrative workers. Because all catalogs are based on a uniform schedule of scale grades and on uniform schedules for basic salaries, the varying number of grades in the individual sectors permits the differentiation of the basic scale salaries according to social importance.

The qualification of a worker is decisive for his classification in the respective catalog grade. The difficulty of the work connected with physical effort on the part of the technical-economic workers is basically identical. The fulfillment of the qualification requirements is instrumental in the classification of a worker in one of the qualifi-



cation catalog grades. The application of accurately listed qualification requirements for the classification of work in the proper qualification grade and for the evaluation of the rate of basic salaries are features of the new reform, concerning the remuneration of technical-economic workers. The reform has to assure the fulfillment of the directives of the Party and government for improving the work of the managerial staff.

The worker's qualification is evaluated according to the following principles:

- [1] Education qualifying him to perform the duties of the post.
- [2] General experience (length of employment in technical, administrative, or economic posts, depending on the nature of the post) and specialized experience (length of employment in the industry wherein the respective post is classified). Workers who previously performed manual work are credited with general experience for the full time of the manual employment, provided it proves useful and necessary in connection with the successful performance of the duties of the respective post. In all other instances, only half of the period of such experiences is credited.
- [3] Personal abilities. Workers engaged in highly qualified work requiring creative abilities are rated according to their specialized field and their political and personal assets of initiative, dedication to duty, ability to make independent decisions, organizational abilities, leadership, and willingness to educate other workers to improve their work, etc.

The catalog for technical engineering and administrative workers lists the system of salary scales. The system of salary scales specifies the monthly rates for technical engineering and administrative workers. These rates are differentiated according to the qualification of workers (they are prepared for the individual qualification grades) and to the social importance of the work.

Depending on the social importance of the work, technical engineering workers in the individual fields of occupation are classified in six salary scales, the administrative workers in three.

Differentiation according to social importance is best illustrated by a comparison of monthly salary rates in the individual scales:

| Indicators  | Scales for Technical-<br>Engineering Workers |       |       |       |       |     |
|---|--|-------|-------|-------|-------|-----|
|   | I  | II    | III   | IV    | V     | VI  |
| Ratio of starting rates<br>in Grade I<br>(Scale VI = 100) | 116.7  | 111.1 | 104.2 | 104.2 | 101.4 | 100 |
| Ratio of final rates<br>in Grade 16<br>(Scale VI = 100)   | 145.5  | 135.3 | 124.7 | 118.2 | 111.7 | 100 |

| Indicators  | Scales for Adminis-<br>trative Workers |       |     |
|---|--|-------|-----|
|   | I                                      | II    | III |
| Ratio of starting rates in Grade I<br>(Scale III = 100) | 103.7                                  | 101.9 | 100 |
| Ratio of final rates in Grade 18<br>(Scale III = 100)   | 119.3                                  | 109.5 | 100 |

On the strength of this comparison we conclude that:

a) The principle of social importance is applied with a considerably greater emphasis for technical engineering workers than for administrative workers.

b) Within the category of technical engineering workers, the differentiation according to the social importance of the work is considerably greater for workers with a high qualification than for workers with an average or low qualification (in Grade 17 the rates are 45.5 percent higher than in Scale VI, while in Grade I they are only 16.7 percent higher).

c) The differentiation according to the social importance of the work applying to administrative workers is actually practiced only in the highest groups, while the monthly rates in the lower groups generally remain on the same level.

The above-mentioned system of salary scales represents a big step forward. It applies to all sectors of industry and industrial construction for which the reform of the salary and bonus system for the technical-economic staff was carried out. It simplified the definition of basic salaries and eliminated the previous diversification and unjustifiable lack of uniformity. Before the enactment of the new scales,

the principal production sectors engaged in industrial and construction operations listed 37 scales for technical engineering workers and 12 scales for administrative workers.

The new system of salary scales unified the remuneration of administrative work in the individual sectors. Before the reform, the differences were quite big; the situation was a target of criticism by administrative workers in sectors producing consumer goods.

For example, the basic salary of an accountant in coal mines was 64 percent higher than that of an accountant in the food industry. At present the difference amounts to 16 percent. The reasons for preserving some of the differences arise from the fact that the reform based on previous wage funds had to consider existing earning proportions. It is quite possible that even in the future there will remain differences in the remuneration of administrative workers. They will not be based on either the difference in the nature of the work or its social importance but rather on the importance of earning levels in a given sector.

The social importance of the work is not a criterion by which to evaluate an entire group of industries subordinate to a ministry, sectors, or enterprises but rather a means of evaluating the variety of specialized activities. This method definitely does away with one of the most characteristic phenomena of unhealthy "provincialism." For example, technical engineering workers in the Ministry of Fuel are classified in five scales, and those in the Ministry of Metallurgical Industry and Ore Mining in three scales, etc.

The system of scales indices underscores the use of the qualification principle used in classifying scale grades. Compared with the previous system, the span of scales is considerably greater (the ratio between the median rates of the highest and lowest groups). The larger span reflects more emphatically the principle of responsibility for the work done. The salary scales appropriately evaluate the work of foremen and of the cadres on a medium technical level, who are directly in charge of managing and organizing actual work.

### Span of Salary Scales<sup>3</sup>

| Category of Workers           | Industry   | Span          |              |
|-------------------------------|--|---------------|--------------|
|                               |  | Before Reform | After Reform |
| Technical-engineering workers | Key industries                                     | 1:4.5         | 1:5.3        |
|                               | Other industries manufacturing means of production | 1:4.2         | 1:5.0        |
|                               | Consumer industry                                  | 1:3.5         | 1:4.4        |
| Administrative workers        | Key industries                                     | 1:4.8         | 1:5.3        |
|                               | Other industries manufacturing means of production | 1:4.5         | 1:5.0        |
|                               | Consumer industry                                  | 1:4.0         | 1:4.7        |

In accordance with the general policy toward eliminating unjustifiable disparities in earnings from our national economy, the schedules of scale grades and the salary scales for the individual industries are devised to make impossible any substantial differences between the scale earnings (basic salaries) of workers doing the same or similar work in different industries. The uniform classification of 33 comparable clerical positions, on which depends the classification of additional positions, helped to prepare for all industries a uniform classification of 78 positions. The clerical positions include administrative personnel (e.g., statisticians, lawyers, accountants, auditors, assistants, secretary-correspondents, stenographers, typists, file clerks, etc.), and many technical positions (technical-economic planners, norm specialists, construction engineers, designers, etc.).

Uniform principles also guide the classification of executive positions (directors, their assistants, managers of the principal technical departments, managers of subsidiary plants. Among the administrative executives are senior accountants, managers of accounting departments, auditors, etc.). The classification of these positions depends on the classification of the enterprise director (for technical engineering personnel) or of the manager of the accounting department (for administrative personnel).

These are realistic measures ensuring the correct proportions between individual industries and the elimination of disparities that in the past discouraged any material incentive on the part of workers.

## 2. Bonuses Paid to Technical and Administrative Workers

The bonuses paid to technical and administrative workers is a more powerful factor in the make-up of their earnings than it is in the wages of workers. It is the basic component in the organization of their salaries. The bonus, to be sure, is not a fixed part of the salary; it is rather a remuneration for the added benefit derived by the society from the work of an engineer, technician, or worker in a leading position. Bonuses are therefore paid only provided both the indicator and the bonus requirements are fulfilled. As far as the new planning system is concerned, bonuses are paid only on the condition that the enterprise creates the corresponding means for the payment of bonuses by its own economic activities. That is obvious even from the method that sets up the planned earning level of technical administrative workers in the 1958 reform of their salary and bonus system. There the basic salary was established approximately on the level of their previous average earnings (including the bonus component). As a result, we now have a fixed basis for the next few years that enables us to demand compliance with the bonus regulations and sets the terms governing the creation of the premium fund; there will be no risk that the earnings of technical-administrative workers will drop below a justified standard if and when said requirements and terms are not observed..

The efficiency of the bonus remuneration for technical engineering and administrative workers in production was bolstered by the reform of the salary and bonus systems for the technical-economic staff. As a result of higher earning levels, the level of basic salaries also increased and the share of the bonus component was calculated to restore the economic function of the bonus.

The trends in the salaries of technical engineering workers reflect the same up and down movements as do the wages of workers. The share of the basic pay in the total earnings drops when the average wages rise. As soon as the share of the basic pay drops below a certain limit, the share of the bonus component rises to a level at which it is considered to be practically a fixed part of the wage and a supplement to the basic pay. What happens when we have to decide on whether to pay the "bonus" even in case of nonfulfillment of the conditions or reduce the customary earnings by a considerable per-

centage is that in either case it is the production itself that suffers.

The bonus component, which in 1953 amounted to approximately 11 percent for technical engineering workers and approximately 6 percent for administrative workers, jumped during 1956 and 1957 to 17 percent for technical engineering workers and 12 percent for administrative workers.

The reform set the level of basic salaries roughly on a par with the planned average earnings. The measure helped to adjust the amount of the bonus component to a 12-percent level (an average per enterprise) of the total of basic salaries of workers eligible for bonus payments.

The share of special bonuses for outstanding work performance to workers who are not eligible for bonus payments was set at 5 percent.<sup>4</sup>

After the introduction of the reform, the real share of the bonus will correspond to the above-mentioned conditions. In the enterprises subordinate to the Ministry of Food Industry, this real share was changed as follows:

|                                   | <u>1st Quar-</u><br><u>ter 1957</u> | <u>1st Quar-</u><br><u>ter 1958</u> |
|-----------------------------------|-------------------------------------|-------------------------------------|
| For technical engineering workers | 20.0                                | 14.5                                |
| For administrative workers        | 10.5                                | 4.3*                                |

\*special premiums

#### Group of Workers Eligible for Bonus Payments

In enterprises where the salary and bonus system reform for technical-economic workers had already been instituted, the only technical engineering and/or administrative workers eligible for bonus payments are those who directly contribute to the fulfillment of the planned tasks. Workers who do not directly influence the fulfillment of the principal tasks of the enterprise or plant--mainly administrative workers--are paid basic salaries only. They are not excluded, however, from participating in the premium fund. They are eligible for special premiums for outstanding achievements.

The above-mentioned measure eliminated one of the most conspicuous practices of the bonus system according to which many plants paid bonuses on the basis of the production plan fulfillment, even to strictly administrative workers. In the new system the basic salaries of administrative workers also include bonuses which are not related to production and which before were actually only supplements to the basic salaries.

### Indicators and Conditions of Bonuses

The indicators that determine the eligibility for and the growth of bonuses are the bonus indicators. The indicators that must be fulfilled as a condition for bonus eligibility as a premium for fulfilling the bonus indicator are the bonus conditions.

The system of bonus indicators and conditions directs the material incentive of the bonus-receiving workers to the fulfillment of the bonus indicator without endangering other production indicators affecting the efficiency of the production. Therefore, when making a plan according to quantity bonus indicators, we make the bonus payable on the condition that the most important quality indicators are fulfilled and vice-versa.

For example, the bonus payment for reducing production costs is usually made subject to the condition that the production plan is fulfilled. In other words, the bonus payment will depend on the outcome of the planned production costs: the lower the cost the higher the bonus. There will either be no bonus or a smaller bonus when reduced production costs do not permit the fulfillment of the production plan. Vice-versa, when a bonus for the fulfillment and the surpassing of the production plan is promised on the condition that the planned production costs will be fulfilled, the amount of the bonus will depend on the percentage by which the production plan was surpassed. The full amount of the bonus will be paid only when the planned reduction of production costs has also been achieved.

The bonus indicators and conditions determine the direction in which the material incentive of the workers will turn. They are therefore being changed and adjusted in each period in accordance with the principal economic tasks. During the

years when the main interest was centered on a rapid rise in production and when the planning was dominated by the need to secure an adequate volume of production, the bonuses were in most cases paid for fulfilling and surpassing the quantity indicators. It was a justifiable procedure at that time. The indicators that guided the plan in evaluating the volume of production and the fulfillment of the production plan had serious shortcomings. One indicator that distorted the real results was that of raw material production, used to determine and to evaluate the volume of production in enterprises and plants. The indicator actually contradicted the efficiency in production, because it did not encourage reductions in production costs.

Experience has shown that bonuses devised to stimulate solely the surpassing of production tasks are not correct, because they create and support a tendency to prepare the lowest possible plan. The experience with bonuses paid to technical-economic workers is a classical example of a wrong direction, in which the material incentive became more important than the interest of the society. There is no prima facie objection that could be raised against such bonus methods because the enterprise surpassed the plan, the workers made a better effort, and it seems therefore correct to pay them bonuses accordingly. But under socialist conditions, the cardinal principle in the organization of wages is to direct the material incentive into the right path.

The guiding principles of the bonus system for technical engineering and administrative workers in production are based on the fact that "the bonus indicators and conditions must be devised to encourage the achievement of maximum efficiency in the management of the enterprise."

In accordance with these principles, the new bonus system is governed by quality indicators centered on a better production return and on higher quality. Quantity indicators, encouraging the surpassing of the production plan, are limited to cases where the requirements of the national economy call for the largest possible volume of production.

The bonus indicators and conditions are not centrally decreed; they are selected according to the conditions prevailing in specific industries and enterprises. The new bonus system also provides for a differentiation in the bonus indicators and conditions for individual workers in the enterprise, depending on the direction toward which the main effort of the worker is to be concentrated.



In order to make the bonus system work efficiently, we must link the bonus indicators and conditions closely to those activities of the enterprise that are either influenced directly by the worker or for which he is directly responsible.

On the basis of such a principle we distinguish between three types of bonuses:

1. For the over-all results in the management of the enterprise during the fiscal year, bonuses are paid to executive workers who set the policy and are complexly responsible for the economic results of the enterprise as a unit (director and his assistants, other executive workers responsible for the technical-economic planning and the accounting, the chief mechanic, the chief of the technical material supply, etc).

2. For current fulfillment of production and economic indicators, bonuses are paid to technical engineering workers who manage and directly supervise the production (production managers, shop supervisors, foremen, production technicians, and technicians who set up production).

3. For the fulfillment of important planned tasks toward technical development or investment construction according to prescribed technical-economic indicators, and within determine time limits, bonuses are paid to technical engineering workers performing tasks that will in the future secure the development of the enterprise (creative workers in research, development construction, projects, etc.).

The executive workers will be eligible for the payment of bonuses on the basis of the over-all results in the management of the enterprise during a fiscal year and only after the analysis of the economic activities of the enterprise have been completed; they will therefore be paid their bonus for a full year's results. The executive workers are thus encouraged to concentrate on creating a future for the enterprise, to develop it, and to promote its technical progress. Bonuses will be paid quarterly to production managers, shop supervisors, and technicians who set up production for current fulfillment of production and economic tasks. Shorter (monthly) periods are permissible for foremen, whenever such action is indicated to meet specific production conditions.

The longer bonus periods, compared with the bonus practice of the past, when all payments were made for monthly results, are among the instruments that have been devised to

limit excessive zeal and to promote a regular production rhythm.

\* \* \*

### 3. Jurisdiction in Matters of Work Remuneration

The wage policy is based on coordination between the centralized direction in matters that are decisive for maintaining proper proportions in earnings and the broad jurisdiction vested in enterprises and plants to use the individual forms that promote material incentive.

Enterprises and plants were deciding on introducing and using wages for piece work and other types of wages as well as work norms. In addition to the comprehensible centralization of the system of wage scales, all matters relative to bonuses were subject to a strict central policy; enterprises were guided by detailed specifications of production plan indicators.

The tight centralized authorization of bonus schedules did not work out because it could neither assure any uniformity in bonus remunerations nor prevent the expansion of inefficient, economically unjustifiable bonuses that assumed the nature of permanent supplementary premiums and had only the outward appearance of a bonus. The centralization in these matters was one of the reasons for the wide spread of fictitious piecework wages, because the enterprises and plants had at the same time the jurisdiction over the use of piecework wages and work norms.

Enterprises and plants are now authorized to use their jurisdiction in matters on which they made their decisions in the past. Their jurisdiction is considerably broadened in matters relative to remuneration of work by bonuses.

The first steps toward this policy were made immediately after the state-wide conference of the KSC [Czechoslovak Communist Party] in 1956. According to the directives issued by the conference, the ministers received the jurisdiction to prepare bonus schedules (with the exception of typified bonus schedules) and introduce progressive piecework wages; they were also given broader jurisdiction in matters of incentive

remuneration forms and in determining personal and individual extra scale compensations and extraordinary rewards.

An important component of the broader jurisdiction was the appropriation in the amount of up to one quarter of one percent of the wage fund of the ministry toward payments of premiums for the fulfillment of important tasks.

The conference also confirmed the jurisdiction of the directors of enterprises over piecework wages and work-regulating norms. The conference resolved that enterprises could appropriate from the planned wage fund an amount up to one percent of the wage fund, as a special purpose reserve to create a fund for extraordinary special premiums. The jurisdiction to use the money of this fund could be transferred to the plant's director and in large plants even to directors of departments.

The special premium paid out of the enterprise's wage fund helped to promote material incentive among workers, who became interested in fulfilling important orders in excess of the plan (particularly export orders), making up for unintentional delays in the fulfillment of the plan, increasing the economy, and in similar extraordinary and important tasks. The minister's fund is used to pay special premiums for work achievements exceeding the scope of an enterprise.

The creation of the premium fund considerably increases the possibility of efficiently using the means of the wage fund to promote material interest in quality indicators and in solving urgent and extraordinary important tasks.

The decision on the use of the means of the premium fund was delegated to the enterprises and plants. The director of the enterprise or plant states in advance the bonus indicators and conditions and the rates, on the basis of his own jurisdiction or according to standard regulations issued by supervisory organs. The planning of the premium fund provides an adequate amount for extraordinary premiums to reward extraordinary work achievements and premiums for socialist competition. If, therefore, all requirements for the creation of the premium fund are satisfied, the enterprise has the means with which to pay bonuses declared in advance as well as extraordinary premiums. If these requirements are exceeded, the possibilities of the directors of enterprises and plants to use their broader jurisdiction and responsibility are widened, because (according to the principles promoting material in-

centive among workers) the share of extraordinary premium and enterprise's premiums in the socialist competition is also larger.

If an enterprise or plant does not satisfy the requirements for the creation of the premium fund, the director of the enterprise or plant is responsible for deciding in accordance with the importance of the economic results for which bonuses or premiums are paid, on the bonuses and premiums, stating the priority in which they will be paid, to what extent they will be reduced, and the sequence in which the remaining bonuses and premiums will be paid.

The above-mentioned principles do not limit the jurisdiction of the director of an enterprise or plant, except for one condition--namely, that in distributing the means of the premium fund he must be guided by socialist principles for the remuneration of work. "It is not permissible," the principles state, "to distribute the means of the bonus fund according to any uniform method whatsoever."<sup>5</sup>

The evaluation of the importance of the economic results will not give any preferential rating to the technical and administrative executive workers. On the contrary, whenever the planned requirements are not satisfied, it is advisable to start with the distribution of the premium fund by considering first the claims to bonuses for economy and other bonuses for the fulfillment of economic development and investment construction tasks, and to extraordinary bonuses that were declared in advance. Executive workers have the opportunity of winning full bonuses by increasing their efforts toward the fulfillment of planned tasks and of favorable yearly economic results. They will receive their bonuses or advances on bonuses in these instances at a later date.

The broader jurisdiction of enterprises and plants over bonus remunerations is an absolute necessity in the new system of economic management. The wider operational independence of the management of enterprises and plants creates conditions that encourage individual material incentive among workers to solve tasks that are important for the enterprise in its effort to fulfill the plan and to promote further progress. The means for bonus payments that are created by the enterprise of plant are backed up in the new system by better economic results. This speaks against limiting the management of the enterprise in the use of its means, provided the use is subject to principles of socialist remuneration for work and to

typified provisions. The broader jurisdiction over bonuses enables the enterprise or plant to utilize its premium fund with maximum efficiency. Any curtailment of this jurisdiction would discourage material incentive toward the fulfillment and surpassing of quality indicators.

Currently, the jurisdiction is divided among the central and enterprise organs as follows:

In matters of regulating work by norms, the jurisdiction is decentralized. The central organs keep their supervisory and organizational functions; they direct the methodological regulation of work by norms. Uniform output norms and norm codes (state-wide and for entire sectors) are prepared and introduced by central organs. All other matters belong to the jurisdiction of the director of the enterprise or plant.

In matters of the system of wage scales, the jurisdiction is centralized, because we are faced with the necessity of maintaining a proportion in the development of wages and observing a desirable differentiation of wages according to the socialist principles of remuneration for work. The management of the enterprise or plant has the jurisdiction of assigning workers to qualification grades (according to principles approved by central organs); the same management has also jurisdiction over the basic salaries (within the salary span) of technical-economic workers.

In the application of wage types, only the decision on matters of principle is made by central organs. The central organs reserve for themselves a broader jurisdiction only in matters of introducing progressive piecework wages for manual workers and of determining personal and individual (not comprised in the scales) salaries for workers on the technical-economic staff.

In bonus remuneration, the decentralization is carried to organizations where the norm codes of personal material incentive apply; the decentralization is generally encouraged by regulations now in effect. Only the principles of bonus remuneration must be approved on a state-wide basis before they may be applied by these organizations. The bonus schedules prepared according to these principles are issued by the ministries, which may delegate their jurisdiction to directly subordinate organizations (economic production units). The jurisdiction may be even delegated to the director of a plant

where workers in lower organizational units are rewarded by bonuses. The bonus to be paid to the executives of organizations (directors) are decided by a superior organ.

The bonus to workers is determined by the director of the economic production unit; he may delegate his jurisdiction to the executives of lower organizational units. The announcement of bonuses that are subject to time limits falls within the jurisdiction of the plant's director.

For all practical purposes, the decision in matters of remuneration by bonus is within the jurisdiction of the enterprise or plant management.

But central economic organs retain all rights to manage the development of wages, according to which they are entitled to make decisions on basic issues: work plans, systems of wage scales, principles for the other components in the organization of wages, and supervision of the wage funds. The new system of management stresses the importance of consistent and efficient control over wage development.

The division of jurisdiction and responsibility between the executive organs on various levels has the purpose of ensuring the promotion of material incentive among workers in enterprises and plants. This is absolutely necessary in order to direct, correctly and according to plan, their material incentive toward the growth and perfection of production. It also leads to the observance of the interests that benefit the society in every respect, including those on which the executives of lower organizational units are called upon to make their decisions.

#### Footnotes

1 This period witnessed a considerable but unjustified transfer of workers from the administrative category into the category of technical engineering workers.

2 The new planning method integrates these workers into a single category of technical-economic workers. Depending on the difference in the nature of the work, there are actually three or even four categories: engineers and technicians, economic workers, administrative workers; executive workers may be considered as belonging to a separate category. For the purpose of planning (and considering the wider authority

of enterprises and plants), it will not be necessary to plan the number of workers, their average wages, and the wage funds separately. They are therefore integrated into one planning category. For the purpose of remuneration, it is advisable to remunerate comparable administrative jobs in all sectors more or less identically; in all other jobs, particularly those of engineers and executive workers, the differentiation of remuneration should stress the principle of social importance. In consideration of the previous practice and the convenience of comparing earnings of individual grades, two different categories were upheld. Economic workers are therefore classified partly as technical engineering workers and partly as administrative workers.

3The real difference in earnings is actually higher, because workers in the highest grades earn a higher bonus. The influence of this is felt even more strongly because most industries classify only a minimum workers in the lowest grades.

4This is a measure that will apply after the transition to the new planning methods only to cases not covered by long-range norms promoting individual material incentive. In enterprises guided by long-range norms, the payment of special premiums will depend on the amount of means available in the premium fund; the means are distributed according to the needs of the enterprises.

5Government Decree on provision to promote higher personal material incentive among workers. Decree No 134/1958 U.1., Section 2.

## CZECHOSLOVAKIA

### Excerpts from "Wage Organization in Czechoslovakia"

[This is a translation of an article by Jan Prusa in *Organisace mezd v CSR*, 1955, Prague, pages 37-40, 45-49, 53-66, 70-72, 120-128, 157-160; CSO: 3464-N/b]

#### The Development Leading to the Preparation of the Czechoslovak Catalogs of Jobs

The first catalog appeared in our country in 1945. It was a catalog of jobs for metallurgical workers and was called the State Catalog of Jobs (*Statni Katalog Praci*) (SKP). The title was significant because it expressed the principle according to which the catalogs of jobs were to be prepared in our country. It was the principle of so-called state-wide parity.

The state-wide parity on the basis of which the catalogs of jobs were prepared meant that in our economy all work in all sectors was to be classified according to its quality and qualification into eight work grades. Thus, for example, work classified in the fourth grade in the chemical industry was to have the same qualifications as the work classified in the fourth grade in agriculture, etc. State-wide parity in the classification of jobs was accompanied by state-wide parity in the remuneration of work by wage scales. All grades of work had their corresponding wage scales that were effective for the entire state, regardless of the production sector, line of work, etc. The principle of state-wide parity, applied to the preparation of catalogs of jobs, was consequently aimed at the remuneration of work done by a specific work grade on an identical wage scale regardless of the sector, plant, or place where the work was performed. State-wide parity, governing the preparation of the catalogs of jobs and the remuneration of work according to wage scales, had its origin in 1945, at which time the principle of parity did not yet rate with the social importance of the work, because it stressed rather comparable wages on a state-wide scale.



In order to enforce the principle of state-wide parity, we had to incorporate it into the State Catalog of Jobs, in which all work is divided into eight grades according to uniform aspects and a uniform method. The State Catalog of Jobs was unique and uniform for all practical purposes, even though catalogs of jobs were prepared for individual industrial sectors. The initial development stage of our catalogs of jobs characteristically referred not to the quality of work but rather to the "value" of work. To be sure, the idea of parity comparison of all work in the entire economy had to be supported by some ideal "value" of work; this was the uniform evaluation of all work regardless of the sector in which it was performed or of any other actual conditions.

The procedure of comparing our first catalogs of jobs for the purpose of grouping all work into work grades was that individual production sectors created their own committees made up of representatives of trade organizations, plant councils, and enterprise managements. The committees prepared specifications of typical (characteristic) work performance, which were grouped in series beginning with the most simple and easy tasks and ending with the most complex and difficult ones. The series broke down all work into classifications of work grades.

The enforcement of the principle of a uniform catalog of jobs divided into eight grades for the entire national economy and all its production sectors, as well as the principle of state-wide parity in classifying all work, created the need for a single supreme organ responsible for the classification of all work in all sectors. This organ was the State Parity Commission, organized first as a department of the former Institute of Work Norms at the Central Trade Union Council (Ustav pro Pracovni Normy pri Ustredni Rade Odboru) and later as a department of the Czechoslovak Labor Institute (Ceskoslovensky Ustav Prace) supervised by the former Ministry of Labor and Social Welfare. The members of the commission were the best experts taken from the councils of workers and technicians. The commission chairman was responsible directly to the Ministry of Labor and Social Welfare. The members of the commission gave their oath to the chairman, declaring that they would "evaluate the submitted examples of work according to the best of their knowledge, experience, and belief."

The State Parity Commission dealt with disparities arising between the catalogs of jobs in individual sectors and undertook to group into specific work grades in all sectors all

work that places the same requirements on the worker; the requirements are evaluated according to the over-all importance of the familiar five factors (knowledge, skill, responsibility, effort, difficulty of working conditions). The State Parity Commission was furthermore responsible for grouping into work grades all tasks that were brought before it, but not before the commission had an opportunity to examine and survey the respective working conditions directly in the plants.

The grouping of tasks into work grades was subject to final approval by the Ministry of Labor and Social Welfare. The State Catalog of Jobs, prepared from the approved work examples, could then be issued and turned over for use.

The formulation of the principles of state-wide parity and of work remuneration was only the first stage in the development of the preparations for our catalogs of jobs and our wage scale systems. The state-wide parity [figures] could not be used for ever; even though they were based on responsible attitudes and the opinions of the commission members, they still expressed their individual thoughts (also, the composition of the commission changed over the years and thus changed the opinions on the grouping of tasks); The state-wide parity principle became more and more detached from real life.

The principle of the eight-grade uniform catalog had its serious shortcomings, particularly in mass production. For example, some industries used only the four lowest work grades (textile, manufacture of radios), and others only the four highest grades (steel mills). The classification of jobs into so few grades was too crude for them. Therefore, some industries started dividing on their own the work grades into additional ratings.<sup>1</sup>

As the reconstruction and the development of our nation's economy progressed and its individual sectors began to assume their own specific degree of importance for the society, it became more and more obvious that the uniform number of work grades and the uniform wage scales no longer corresponded to the actual conditions and needs of the individual sectors. The continued enforcement of the state-wide parity at all costs would therefore have been a meaningless enforcement of a more fiction.

Exceptions eventually came along to replace the state-wide parity with the actual needs of individual sectors in compliance with the principle of the social importance of work.

A catalog of jobs and a system of wage scales with seven work grades was accordingly prepared for brick-kilns.

For state and municipal transport enterprises and for communications combined catalogs and wage scale systems were prepared, which included workers, technical workers, and administrative clerks. These catalogs comprised 12 grades with an additional new exception: they no longer included the specifications of jobs but rather the specifications of the combined work performance of individual workers (positions). They no longer had grades for work, but grades for workers.

A substantial change in the system of the former classification of jobs was instituted by the resolutions of the Party and government of 15 and 16 October 1951 on measures to promote increased coal mining and labor productivity in the Ostrava-Karvin district. There the workers were divided into eight wage scale groups according to their trades. Combine machinists were placed in a separate group. The catalog of standard patterns is an annex to the resolutions.

The resolutions on the Ostrava-Karvin coal mining district were followed by resolutions of the Party and government of 9 and 13 November 1951 on measures to promote higher production in the metallurgical industry. The Ministry of Metallurgical Industry and Ore Mining was charged with the responsibility of revising the former catalogs of jobs and grouping all workers into 12 categories depending on their trades and qualifications, in accordance with examples in the annex to the resolutions.

The State Catalog of Jobs still does not adequately evaluate work done under extremely difficult conditions (for example, in the so-called hot operations, such as in foundries). The difficulty of the working conditions was only one of the five classification factors in the preparation of the State Catalog of Jobs. Extremely difficult working conditions were not covered by any special wage scale provisions.

After the abolition of the Ministry of Labor and Social Welfare, and after the formation of the State Wage Commission, the procedure of approving new catalogs of jobs was changed.

The individual ministries now approve and publish catalogs of jobs and issue directives for their proper application, in accordance with the Government Resolution of 24 February 1953, Article I, Section 3, Letter b, on the responsibilities of state organs charged with the direction and application of the state wage policies (Uredni list, Part 29, 3 March 1953).

We have to give credit to the State Parity Commission for its work and contribution to the development of the wage organization. Without any previous experience, it classified and grouped the tasks of workers engaged in practically all sectors of our nation's economy and laid down the foundations for the wage construction based on the quality of work.

There is another basic change going on in the development of our catalog of jobs. The Government Resolution of 28 August 1953 charged all ministries with the task of revising the catalogs of jobs for workers so far in use and converting them into so-called wage scale qualification catalogs, like those used in the Soviet economy. That does not mean that all the effort to prepare our catalogs of jobs were in vain and that we are faced with the preparation of a completely new and different catalog. The change simply amounts to a new arrangement of the catalogs. To understand the change we have to become familiar with the arrangement of our catalogs of jobs as well as with the arrangement of the catalogs of job in the Soviet Union.

#### Arrangement of the Czechoslovak Catalogs of Jobs

We shall analyze our catalog of jobs for the metallurgical industry. It was the first Czechoslovak catalog of jobs and was used as a pattern for the preparation of catalogs of jobs in other sectors and industries.

The catalog consists of loose sheets, size A5. Each sheet is marked by the number of the work grade and by the number of the job according to the numerical index of jobs.

The numerical index of jobs (not to be confused with the catalog of jobs) was issued by the former Central Association of Czechoslovak Industry (Ustredni Svaz Cs. Prumyslu) for the purpose of planning, statistics, and records. It comprises a systematic classification of jobs and places of work in

industrial production, with a numerical designation of work categories and trades.

Under the title of work performance (sometimes the name of the parts of the product on which work is done and other references are also given) is the description of the work performance.

The description of the work performance is to be concise and clear and must state the requirements placed on the worker. The catalogs describe the work, indicating the effort and difficulty connected with its performance, as well as whether the worker works independently or under supervision or whether he himself supervises the operation. Other indications refer to the weight of the product that is being worked on, the type of equipment, machine, whether secured or suspended, type of measurement gauge, etc. To complete the picture of the nature and method of the work and its difficulty and accuracy, the descriptions are often supplemented by diagrams wherein the areas that are being worked on are marked with a heavy line.

The catalog of jobs is a collection of patterns for the purpose of classification, and we therefore refer to the descriptions as work examples, standard patterns, or directional examples.

Our catalogs of jobs sometimes include a reference to trades.

\* \* \*

## Scale Indices

### The Scale Index and Its Significance

The scale index determines neither how much a specific worker is going to receive according to the wage scales, in koruny per hour, day, or other unit of time, nor the range of the wages scales. The scale index determines the difference between the wage scales of individual work grades<sup>2</sup> and the mutual relation between the wages scales regardless of their absolute amount expressed in koruny.

The scale index permits the grading of wages according to the quality of the work, independently from the absolute amount of the wage scales in koruny.

The mutual relation between the wage scales is determined in the scale index by scale coefficients.

### Scale Coefficients and Their Growth

The scale coefficient is established for each work grade. It is a number indicating by how much the wage scale (regardless of its amount in koruny) of one or another work grade is higher than the wage scale of the lowest (first) work grade. The wage scale coefficient of the lowest grade equals one.

By arranging the work grades from the lowest to the highest and by identifying their scale coefficients, we obtain the scale index.

Example of a scale index:

| Work Grade        | 1   | 2    | 3    | 4    | 5    | 6    | 7    | 8    |
|-------------------|-----|------|------|------|------|------|------|------|
| Scale coefficient | 1.0 | 1.12 | 1.28 | 1.46 | 1.68 | 1.94 | 2.25 | 2.60 |

The construction of the scale index must follow:

- 1) the absolute growth of scale coefficients;
- 2) the relative growth of scale coefficients;
- 3) the span of the scale index.

Let us illustrate the growth of scale coefficients in the preceding example:

|                            |      |      |      |      |      |      |      |
|----------------------------|------|------|------|------|------|------|------|
| Absolute Growth            | 0.12 | 0.16 | 0.18 | 0.22 | 0.26 | 0.29 | 0.35 |
| Relative growth in percent | 12.0 | 14.0 | 14.0 | 15.0 | 15.0 | 16.0 | 16.0 |

The absolute growth between grades is natural and necessary. It is impossible for the same wage scales to apply in two neighboring grades or for the wage scale of the higher grade to be lower than the wage scale of the lower grade. However, the absolute difference between neighboring scale coefficients does not always remain the same (nor would it be the same when the relative growth of the scale coefficients remains the same); it is growing toward the highest grade. The wage scales thus

do not grow continuously by a fixed quantity in koruny; on the contrary, the quantity of the differences increases continuously. A worker who was transferred from a job in the sixth grade to a job in the seventh grade gains, in terms of koruny, more than does a worker who advanced from a job in the second grade to a job in the third grade.

This is a method that promotes interest among workers in permanently acquiring a higher qualification and advancing to work in the highest grades.

The incentive of the scale index also depends on the relative growth of the scale coefficients.

The relative growth of scale coefficients must not be neglected. It is not enough to simply let the wage scales grow from the lowest to the highest grades without any concern as to how they grow. As the worker progresses through the individual qualification degrees, the difference in his earnings must become larger each time and his ambition to attain the highest qualification degrees must be consistently encouraged. Therefore, the relative growth of the scale coefficients must be at least even. It will, however, be better if they grow from grade to grade as shown in our example. The increase in the relative growth of the scale coefficients carries an even higher increase in the absolute differences between the scale coefficients. The incentive toward higher qualifications and toward attaining the highest work grades thus becomes much stronger.

The construction of a scale index is undesirable when the relative growth of its scale coefficients decreases in the direction from the lowest to the highest grades; the absolute differences between the scale coefficients (and thus also between the wage scales) either never change or decrease in the direction toward the highest grades. The construction of this type of scale index weakens the incentive toward attaining higher qualifications and toward the transfer to jobs in the highest work grades.

The growth of the scale coefficients determines the span of the scale index.

## The Span of the Scale Index

The span of the scale index is the relation between the scale coefficients of the lowest and highest scale grades. Our example shows a span of the scale index in a 1:2.6 ratio.

The principles governing the growth of the scale coefficients demonstrate that the span of the scale index should be as wide as possible in order to promote material advancement for higher qualifications.

What determines the span of the scale index?

The scale index is prepared within the scope of the planned wage fund and in consideration of the planned number of workers in the individual work grades. If the span of the scale index increases within the limits of a given wage fund, the wage scales of the highest grades increase while the wage scales in the lowest grades register a relative decrease. The increase in the span of the scale index increases the incentive toward higher qualifications. Better qualified workers produce better work and the real value of wages rises (the price of consumer goods decreases). The span of the scale index may be increased as long as the prices of consumer goods keep decreasing, thereby raising the standard of living among workers in the lower grades in spite of their relatively lower wage scales.

It is incorrect to assume that the span of the scale index is determined by either short or excessive supply of qualified labor and that the span should be narrowed down whenever the supply of qualified labor is adequate. The law of supply and demand is applicable to the socialist wage policy in connection with placement and hiring of labor and is also in use among various sectors and industries. The law cannot be used within one sector or plant. The director of the plant would accordingly receive a very low salary, because the supply to fill his post is always larger than the demand. The span of the rating schedule is therefore determined by something other than the law of supply and demand. The span is decided by the opportunity for advancement through qualifications.



## Wage Curve

To illustrate the growth of scale coefficients, we draw a graph to obtain a curve called the wage curve. The wage curve represents the course, growth, and span of the scale index better than the numerical order of the scale coefficients.

Sometimes the wage curve also represents the numerically expressed schedule of wage scales in koruny.

## Principles Governing the Construction of Scale Indices

The preceding analysis demonstrates that the construction of the scale indices depends on the determination of:

- 1) the number of work grades;
- 2) the absolute and relative growth of the scale coefficients;
- 3) the span of the scale index.

Summarizing the principles on which we have elaborated above, we may conclude by stating the the aforementioned factors, and consequently also the construction of the scale index, are guided by:

- a) the nature of a given production sector (degree of complexity and diversity of work, degree of division of work, type of production, etc.); the nature of the production particularly influences the number of work grades;<sup>3</sup>
- b) the need for growth of the scale coefficients to assure the material incentive toward higher qualification and thus toward higher productivity;
- c) the size of the planned wage fund that must always be unconditionally maintained.

## Scale Indices in the Soviet Union and Czechoslovakia

In the Soviet Union the scale indices are prepared for the individual sectors of the national economy and for the individual production sectors in accordance with the requirements of these sectors. The Soviet Union therefore has a series of various scale indices.

We must stress that in the USSR the scale indices are prepared as a special measure, separately from the construction of wage scales, and they precede the construction of wage scales. This system consequently has for one and the same scale index several wage scales of different sizes for the first qualification grade (the wage scales for piece work differ from the wage scales for hourly work; there is one wage scale for "cold" work and another wage scale for "hot" work, etc.). This causes a rise in several different schedules of wage scales while the scale index remains one and the same. The system has the advantage that in different schedules of wage scales the course, growth, and span remains the same; it will also be sufficient to determine the scale index for the first qualification grade; all other rates are automatically given by the scale index that has been prepared in advance.

Up to 1946 the Soviet economy used scale indices with a wide span. For example, the machine-building industry used a scale index with a span of 1:3.6 up to September 1946.<sup>4</sup> After the currency reform in September 1946, which abolished food rationing and raised the quota prices (the prices on the controlled market) for food, the Soviet government introduced supplementary payments to the wages of workers and clerks in order to maintain the living standards of the working masses. The supplementary payments were graduated to give higher supplements to workers with lower wage scales and lower supplements to workers with higher wage scales. The supplementary payments were added to the existing wage scales. The measure narrowed the span of the scale indices. The machine-building industry that before had a scale index with a span of 1:3.6 now has an index with a span of 1:2.6.

Our national economy has no scale indices as yet. No scale indices have yet been prepared in our country that would appear as a special measure, separate from the construction of wage scales and preceding them. In our country we have so far prepared schedules of wages scales with uninterrupted progress.

This enables us to obtain from the schedules of wage scales the scale indices (scale coefficients and span) by a reverse process of derivation. We shall therefore deal with the principal question of scale indices in our national economy in the following section on wage scales.

\* \* \*

### Development in the Construction of Wage Scales in Czechoslovakia

During the German occupation, the occupying forces introduced compulsory wage scales by decree of the Protectorate Ministry of Economy and Labor, to control the rise of wages during the wartime boom. The decrees were issued for individual industrial and economic sectors and distinguished between wage scales for auxiliary (unskilled) workers, for trained workers, and for experienced workers. In each of these categories the wage scales were graded according to the worker's age or number of years of experience. Women were rated according to lower wage scales than men. In addition to these official wage scale decrees, certain collective agreements, some of which are still in effect, were declared compulsory.

A similar situation prevailed in the "independent" state of Slovakia.

In addition to the wage decrees, the occupation forces introduced in the metallurgical industry and in the steel mills the so-called "New Wage Order" (Neue Lohnordnung). It was based on the classification of work into eight wage-scale groups. The wage scales for women and young workers under the age of 21 were lower.

The first important change of the wage policy occurred after the end of the Second World War. The right to equal wages for men and women was introduced in 1945.

The currency reform of 1 December 1945 raised the wage and price levels about threefold. The former Ministry of Labor and Welfare issued, right after the currency reform and during the first months of 1946, new wage scales for all industrial and other economic sectors. These offset the differences exist-

ing between the Czech krajš and Slovakia, and they abolished the so-called wages of hunger (wages were leveled out as far as possible; the wage scales of unskilled auxiliary workers were upgraded, as were some of the most poorly paid sectors--for example, in agriculture). The wage decrees of the Ministry of Labor and Welfare arranged the wage scales for all categories of workers in our economy up until the recent past; they represent a developmental stage of our wage scale system with which we would like to be better acquainted.

### The System of Wage Decrees of the Former Ministry of Labor and Welfare<sup>6</sup>

The method and the purpose of the wage decrees issued by the former Ministry of Labor and Welfare were not uniform. The variety of conditions and provisions is one of the basic characteristics of the wage decrees. The lack of uniformity was not the result of a purposeful, planned differentiation corresponding to the needs of the national economy. We have to realize that the wage decrees continued for many sectors to be rooted in the prewar tradition of collective bargaining between management and unions and that they therefore often incorporated local usages, principles, and standards. In our effort to analyze the method and the purpose of wage decrees, we shall demonstrate the provisions and principles that appeared in them most frequently, as well as the most characteristic traits they had in common.

The wage decrees of the former Ministry of Labor and Welfare did not specify the wage scales according to the quality of work performed, but rather according to the qualification of the workers. The qualification of the workers was evaluated very roughly. Workers were divided, for example, into groups of experienced, trained, and auxiliary (unskilled) workers. The wage scales were higher for experienced workers than for trained workers and higher for trained workers than for auxiliary workers. Within each of these categories the wage scales were graded according to the number of years after training (for experienced workers) or according to the worker's age (for trained and auxiliary workers).

For each case (i.e., for each qualification category and each age group) the wage scales were graded according to so-called wage territories. In addition to the vertical qualifi-

cation and age differentiation of the wage scales, there was also in effect a horizontal differentiation of wage scales according to wage territories. As a rule, there were three wage territories (later only two), consisting of towns (municipalities) of approximately the same size. In the first wage territory comprising the largest towns the wage scales were the highest. The wage scales for other territories were lower. The territorial differentiation of the wage scales also revealed a social aspect (higher living cost in large cities) that was incorporated into the wage reforms of the capitalist economy; there is neither room nor reason for taking into consideration this aspect of the remuneration of work in a socialist economy.<sup>7</sup> Some wage decrees created wage territories by another method. For example, the wage decree for the glass industry grouped in the first territory plants that had train connections with the CSD [Czechoslovak State Railroads].

The difference between the wage scales of the various wage territories were negligible. The wage scales of the first wage territory were about 5 percent higher than the wage scales of the second wage territory.

The wage scales usually expressed the rates in koruny per hour (hourly rates).

The wage decrees were furthermore characterized by a series of additional payments supplementing the basic wage scales. It was a rough and imperfect compensation for the quality (qualification) and difficulty of the work done.

There were first of all the qualification premiums. These supplemented the wage scales for work requiring higher qualifications, special knowledge, particular skill, greater responsibility, etc. They were identified by the decrees in many ways, such as premiums for responsibility, qualifications, leading workers, etc. The premiums ranged between 10 and 20 percent of the wage scales. According to the wage decree for workers in the metallurgical industry, a premium of 10 percent was paid to individual specially qualified and experienced workers and a premium of 20 percent of the wage scales to individual specially qualified and experienced leading workers.

Another group of premiums were the difficulty premiums. These were paid as a supplement to the basic wage scales for the duration of the jobs that required extraordinary physical

effort or were marked by more difficult working conditions (heavy loads, hazards, health-damaging jobs, etc.). The premiums ranged between 10 and 50 percent of the wage scales. For some sectors (chemical industry) they were expressed directly in monetary amounts (in koruny per hour).

All wage decrees included provisions on the so-called performance bonus. The decision to pay it was up to the superior worker. It was a supplement to hourly wages as a reward for better performance. The bonus was limited to 25 percent of the wage scale; the total amount of the bonus was not to exceed 15 percent of the total hourly wages paid in the plant. Some wage decrees included different provisions on the performance bonus. The amount of the bonus for an individual actually ranged between 15 and 20 percent of the scale wage. In some instances, the aggregate amount of performance bonuses paid for the same period of time was limited to a specific number (30 to 50 percent) of the workers employed in the plant and remunerated by hourly wages.

A number of wage decrees contained provisions on the so-called compensation piecework bonus. Payments ranged between 10 and 20 percent of the wage scale, and were made to workers who, because of the nature of their work, were not eligible for piecework wages (maintenance workers, etc.).

All wage scales incorporated into the wage decrees for individual categories were in effect as hourly scales. To create piecework scales (directional piecework rates), the hourly scales were increased by a certain percentage, usually 15 percent. In some sectors the piecework scales were lower; in other sectors they were higher. In the mining industry the piecework scales were 10 percent higher than the hourly scales; in the glass, wood, textile, leather, rubber, flour mill, meat, and canned food industries, the piecework scales were 20 percent higher; in the production line output of the textile, leather, and rubber industries they were 35 percent higher than the hourly scales. In agriculture, the piecework scales were 30 percent higher, for brick kiln workers 40 percent higher--except for certain brick kiln workers for whom the piecework rates were 60 and 65 percent higher than the hourly scales (brick carriers and brick molders).

For some occupations (drivers, coachmen, porters, guards) the wage decrees specified weekly wage scales separately and directly for each occupation.

In addition to the provisions on wage scales and premiums, the wage decrees incorporated provision of the law regulating working time schedules, overtime payments, and supplementary payments for work at night, on holidays, and other provisions of the labor legislation. The wage decrees were thus an actual collection of provisions on wages and working conditions for workers in different production sectors.

The system of wage decrees, as practiced by the Ministry of Labor and Welfare, had many shortcomings.

1. The wage scales had only a very rough graduation according to quality (qualification) of the work done. Therefore, the wage presented no encouragement to achieve a higher qualification.

2. The principle of qualification was secondary to the social principle (age of worker, cost of living), which fact led to wage uniformity. The socialist organization of our economy has other ways and means of satisfying the social needs of workers; to satisfy these needs directly by wages does not serve the purpose.<sup>8</sup>

3. The lack of uniformity in the method and purpose of the wage decrees was not the result of a planned differentiation that would meet the demands of the national economy. It was rather a reflection of the conditions inherent in the collective bargaining system before the war.

4. The construction of wages on the basis of wage decrees was complicated by the existence of too many different premiums.

5. The construction of wage scales according to the age of a workers and the complexity of the entire system was a serious obstacle to the formulation of a system of planned wages (planning of wage funds).

In 1945 these shortcomings created a need for a new system of wage scales for the workers of our economy. This was prepared in 1945 by the former Institute for Work Norms at the Central Trade Union Council (Ustav pro pracovni normy pri Ustredni rade odboru) and was called the system of wages according to merit. The system represents a further important step forward in the construction of wage scales in our economy. It was first introduced in December 1945 in the largest machine-building plants. Before the end of 1950 it expanded

(replacing the wage decrees) to the major part of our economy. We shall therefore have to take a closer look at the new system of wages according to merit.

### System of Wages According to Merit

The system of wages according to merit expresses the basic principle by which work of the same quality (qualification) and degree of difficulty is remunerated by the same wage scale in all sectors, plants, and places of work of the entire economy; this basic principle calls for a set-up of comparable work qualifications on a national level.

The system of wages according to merit is based on the State Catalog of Jobs, which uniformly classifies all work in every sector, production, and economic field in eight grades; thus, work done in construction engineering jobs and in agriculture were classified together.

The following unique schedule of wage scales applying to work paid by the hour (gradated hourly scales) was decreed uniformly for all sectors and fields:<sup>9</sup>

| Work Grade                       | 1    | 2    | 3     | 4     | 5     | 6     | 7     | 8     |
|----------------------------------|------|------|-------|-------|-------|-------|-------|-------|
| Hourly scale, in koruny per hour | 8.20 | 9.20 | 10.30 | 11.50 | 12.90 | 14.50 | 17.20 | 18.20 |

The schedule of scale coefficients derived from the above schedule of wage scales is as follows:

| Work Grade                 | 1   | 2    | 3    | 4    | 5    | 6    | 7    | 8    |
|----------------------------|-----|------|------|------|------|------|------|------|
| Scale coefficients         | 1.0 | 1.12 | 1.25 | 1.30 | 1.57 | 1.77 | 1.98 | 2.22 |
| Absolute growth            | +   | 0.12 | 0.13 | 0.15 | 0.17 | 0.20 | 0.21 | 0.24 |
| Relative growth in percent | -   | 12   | 12   | 12   | 12   | 12   | 12   | 12   |

The decision on grouping the work into work grades depended not only on the quality (qualification) of the work but on the effort and the difficulty of the working environment. Therefore, the system of wages according to merit had no provisions for either qualification or difficulty bonuses. Neither was



there any special schedule of wage scales for work done in difficult working environments.

Scales for piece work were prepared uniformly by either a 10-percent increase (for work performed according to estimate and statistical norms) or a 20-percent increase in the basic hourly scales (for work done according to technically justified output norms).

The schedule of the piecework scales was thus:

| Work Grade                                     | 1    | 2     | 3     | 4     | 5     | 6     | 7     | 8     |
|--|------|-------|-------|-------|-------|-------|-------|-------|
| Piecework scale at 10 percent, koruny per hour | 9.00 | 10.10 | 11.30 | 12.70 | 14.20 | 16.00 | 17.80 | 20.00 |
| Piecework scale at 20 percent, koruny per hour | 9.80 | 11.00 | 12.40 | 13.80 | 15.50 | 17.40 | 19.40 | 21.80 |

The piecework scales differed in some sectors. For production line output in the clothing industry, the piecework scales were 25 percent (light goods) and 30 percent (heavy goods) higher. Light industrial homework was remunerated according to basic hourly scales which were applied as piecework scales. The motion picture industry had a uniform piecework scale that was 15 percent higher than the hourly scale. As to agriculture and the machine-tractor stations, their uniform piecework scale was 20 percent higher than the hourly scale.

The system does not recognize any compensating bonus for piece work.

The schedule of wage scales from 8.20 to 18.20 was to be in effect a universal starting schedule for the entire national economy and also to apply for the future. Even the decision on the salary scales for technical and administrative workers was based on it. It was raised for socially important sectors (metallurgical industry), but only by an automatic 15-percent increase that still stressed the fixed index ranging between 8.20 and 18.20, which had to remain constant to serve as the starting comparison basis.

The system of wages according to merit maintained to some extent the gradation of wage scales according to age and wage territories.

Workers under 21 years of age were rated according to lower wage scales; 95 percent of the basic wage scales applied to workers over 19, 85 percent to workers over 16 and 80 percent to workers under 16 years of age. The reduction did not apply to work remunerated in piecework wages. The provision was amended at the end of 1949 to have a basic schedule of wage scales to apply to workers over 18 years of age. The last three degrees of the above-mentioned reduction remained in effect.

When the wage system according to merit was first introduced, it maintained the gradation of wage scales according to wage territories. In the second wage territory (smaller towns and villages), the wage scales were 5 percent lower than the basic wage scales. This method was later abolished and thereafter throughout the country only the basic wage scales of the first wage territory were in effect.

The wage system according to merit carried over from the wage decrees the performance bonus supplementing the hourly wages. The amount of the bonus was set uniformly at 25 percent for individuals (exceptionally, 30 percent) and an average of 15 percent for individual work grades. The determination of the amount to be paid as a performance bonus was perfected through the introduction of a scoreboard point system.<sup>10</sup> In it a point evaluation was made on the quantity and quality of work, adaptability to work, sense of responsibility, and spirit of cooperation.

The system of wages according to merit was enforced by special decrees of the former Ministry of Labor and Welfare.<sup>11</sup> They included, in addition to the wage scale regulations, provisions of the labor law (working time schedules, overtime pay, pay for work at night and on holidays, supplementary payments for work done in the lower work grades, etc.).

The system of wages according to merit represents an important contribution to the construction of the wage scales of our economy. It laid the foundations for a consistent remuneration of work according to quality. It also brought order and purpose to remuneration according to wage scales on a nationwide basis. Experience, however, has shown that no uniform schedule of wage scales can be a permanent measure, because it cannot continue to answer the needs of the national economy.

The progress made by the national economy, the rising tasks of the production and other economic sectors, the appearance of new industries, the development of new techniques, and the manner in which the importance of individual sectors to the society are changing all combined to make the necessity of replacing the uniform schedule of wage scales strongly felt. The call went out for scales that could be adapted to the requirements of the individual sectors in terms of the number of grades and the range of the wage scales.

#### Coal and Ore Mining, Hourly Scales in Koruny

| Work Grade | Surface Workers | Workers in Caves of Quarries | Underground Workers |
|------------|-----------------|------------------------------|---------------------|
| 1          | 8.20            | 9.40                         | 10.20               |
| 2          | 9.20            | 10.60                        | 11.50               |
| 3          | 10.30           | 11.80                        | 12.90               |
| 4          | 11.50           | 13.20                        | 14.40               |
| 5          | 12.90           | 14.80                        | 16.40               |
| 6          | 14.50           | 16.70                        | 18.10               |
| 7          | 16.20           | 18.60                        | 20.20               |
| 8          | 18.20           | 20.90                        | 28.80               |

Increase compared to hourly scales of surface workers, in percent

15.0      25.0

The system of wages according to merit is still in effect at the present time in many sectors. However, the construction of wage scales gradually continues toward a new stage of its development, referred to as the differentiated systems of wage scales.

#### Differentiated Systems of Wage Scales

The first exceptions from the uniform schedule of wage scales came about when the uniform schedule, ranging from 8.20 to 18.20 koruny, which remained the basic pattern of the system, because subject to percentual increases.

Coal and Ore Mining, Piecework Scales  
in Koruny per Hour

| Work Grade  | 1     | 2     | 3  | 4     |      |
|---|-------|-------|--|-------|------|
| 1. Surface workers (estimate and statistical norms)   | 9.40  | 10.60 | 11.80  | 13.20 |      |
| 2. Surface workers (technical norms)  | 10.20 | 11.50 | 12.90  | 14.40 |      |
| 3. Workers in caves of surface quarries (estimate and statistical norms)  | 10.60 | 12.00 | 13.40  | 15.00 |      |
| 4. Workers in caves of surface quarries (technical norms); underground workers (estimate and statistical norms) | 11.50 | 12.90 | 14.40  | 16.10 |      |
| 5. Underground workers (technical norms)  | 12.30 | 13.80 | 15.40  | 17.20 |      |
| <hr/>   |       |       |  |       |      |
|   |       |       | Increase Compared to Hourly Scales of Surface Workers (in percent) |       |      |
|   | 5     | 6     | 7  | 8     |      |
| 1   | 14.80 | 16.70 | 18.60  | 20.90 | 15.0 |
| 2   | 16.10 | 18.10 | 20.20  | 22.80 | 25.0 |
| 3   | 16.80 | 18.80 | 21.00  | 23.70 | 30.0 |
| 4   | 18.10 | 20.30 | 22.70  | 25.50 | 40.0 |
| 5   | 19.30 | 21.70 | 24.30  | 27.30 | 50.0 |

The above two schedules of wage scales were enacted for coal and ore mining effective 28 November 1949.

Furthermore, for the principal construction industry a schedule of hourly wages, increased by 15 percent, was applied as compared with the uniform schedule, as well as a schedule of piecework scales (uniform) increased by 38 percent as compared with the uniform schedule of hourly scales.

The same schedules of wage scales, but with a different scale for grades 7 and 8, were applied to the quarrying industry.

Principal Construction Industry and Workers from  
Auxiliary Industry Roof-Tiling,  
Asphalting, and Street Paving

| Work Grade                                | 1     | 2     | 3     | 4     | 5     | 6     | 7     | 8     |
|---|-------|-------|-------|-------|-------|-------|-------|-------|
| Hourly scales<br>in koruny                | 9.40  | 10.60 | 11.90 | 13.20 | 14.80 | 16.70 | 18.60 | 20.90 |
| Piecework scales<br>in koruny per<br>hour | 11.30 | 12.70 | 14.30 | 15.90 | 17.80 | 20.00 | 22.40 | 25.10 |

Stone Industry

| Work Grade                                | 1     | 2     | 3     | 4     | 5     | 6     | 7     | 8     |
|---|-------|-------|-------|-------|-------|-------|-------|-------|
| Hourly scales<br>in koruny                | 9.40  | 10.60 | 11.90 | 13.20 | 14.80 | 16.70 | 18.30 | 20.90 |
| Piecework scales<br>in koruny per<br>hour | 11.30 | 12.70 | 14.30 | 15.90 | 17.80 | 20.00 | 22.00 | 24.00 |

Not directly dependent upon the uniform schedule of wage scales but still in a certain relation to it, a different schedule of wage scales was enacted for brick kilns effective 22 July 1950:

| Work Grade  | 1     | 2     | 3     | 4     | 5     | 6     | 7     |
|---|-------|-------|-------|-------|-------|-------|-------|
| Hourly scale in koruny per hour   | 9.50  | 10.50 | 11.60 | 13.00 | 14.60 | 16.30 | 18.20 |
| Piecework scale in koruny per hour--<br>estimate and statistical norms<br>(hourly scale + 10 percent) | 10.50 | 11.60 | 12.80 | 14.30 | 16.10 | 17.90 | 20.00 |
| Piecework scale in koruny per hour--<br>technical norms<br>(hourly scale + 20 percent)                | 11.40 | 12.60 | 13.90 | 15.60 | 17.50 | 19.60 | 21.80 |

The scale coefficients and their growth in the schedules of wage scales for brick kilns is as follows:

| Work Grade                 | 1   | 2    | 3    | 4    | 5    | 6    | 7    |
|----------------------------|-----|------|------|------|------|------|------|
| Scale coefficients         | 1.0 | 1.10 | 1.22 | 1.37 | 1.54 | 1.72 | 1.92 |
| Absolute growth            | -   | 0.10 | 0.12 | 0.15 | 0.17 | 0.18 | 0.20 |
| Relative percentual growth | -   | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |

The reform of wage scales for the coal mines of the Ostrava-Karvin coal mining district constituted the first important departure from the uniform scale systems as well as the first thoroughly differentiated schedule of wage scales. The reform was enacted by the Party and government resolutions of 15 and 16 October 1951 and promoted an increase in coal mining and work output in the Ostrava-Karvin coal mining district. According to the reform, workers are grouped by occupations and qualifications in eight scale categories, with the following wage scales (which apply for piecework as well as hourly scales):

| Wage Category              | 1     | 2     | 3     | 4     | 5     | 6     | 7     | 8     |
|----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Wage scale                 | 12.00 | 15.00 | 18.50 | 22.00 | 28.00 | 33.50 | 40.00 | 50.00 |
| Scale coefficient          | 1.0   | 1.25  | 1.54  | 1.83  | 2.33  | 2.79  | 3.33  | 4.17  |
| Absolute growth            | -     | 0.25  | 0.29  | 0.29  | 0.50  | 0.46  | 0.54  | 0.84  |
| Relative percentual growth | -     | 25.0  | 23.0  | 19.0  | 27.0  | 20.0  | 19.0  | 25.0  |

Combine machinists are in a separate scale category. Their wage scale is 25 percent higher than the wage scale of wage category 8.

Another important differentiated schedule of wage scales resulted from the reform of the wage scales for workers in basic metallurgical operations. It was enacted by Party and government resolutions of 9 and 13 November 1951 and promoted increased production in the metallurgical industry. According to the reform, workers are grouped by occupation and qualification in 12 wage categories with wage scales that apply to both piecework and hourly scales.

### Basic Metallurgical Operations

| Wage Category | Wage Scale<br>Koruny<br>per Hour | Scale<br>Coefficient | Absolute<br>Growth | Relative<br>Percentual<br>Growth |
|---------------|----------------------------------|----------------------|--------------------|----------------------------------|
| 1             | 10.00                            | 1.0                  | -                  | -                                |
| 2             | 12.00                            | 1.20                 | 0.20               | 20                               |
| 3             | 13.50                            | 1.35                 | 0.15               | 12                               |
| 4             | 17.50                            | 1.75                 | 0.40               | 30                               |
| 5             | 22.00                            | 2.2                  | 0.45               | 26                               |
| 6             | 25.00                            | 2.5                  | 0.30               | 14                               |
| 7             | 28.50                            | 2.85                 | 0.35               | 14                               |
| 8             | 32.00                            | 3.2                  | 0.35               | 14                               |
| 9             | 35.00                            | 3.5                  | 0.30               | 9.5                              |
| 10            | 35.00                            | 3.9                  | 0.40               | 11.5                             |
| 11            | 42.00                            | 4.2                  | 0.30               | 8                                |
| 12            | 46.00                            | 4.6                  | 0.40               | 9.5                              |

The new wage scale reforms that followed the enactment of the new systems of wage scales for the coal mines of the Ostrava-Karvin coal mining district and for the basic metallurgical operations no longer depend on the former uniform schedule of wage scales that ranged between 8.20 and 18.20 koruny. The guiding principle for determining the number of grades and the quantity and growth of the wage scales no longer depends on the principle of state-wide parity. We are now guided by principles of the actual needs of a given sector, its social importance, and the quantity of its planned wage fund.<sup>12</sup>

The schedules of wage scales for state and municipal transportation were prepared somewhat differently. For these fields a combination of catalogs of jobs and schedules of wage scales was prepared that applied jointly to manual workers and technical and administrative workers. The wage scales of the first eight grades are linked to the uniform schedule of wage scales that ranges between 8.20 and 18.20 koruny. The system retains the graduated wage scales according to years of service. It therefore represents a stage of transition from the old system by wage decree to the system of wages according to merit.

The schedule of wage scales usually has twelve grades. For the Czechoslovak Motor-Vehicle Transport it was designed as follows:

| Work Grade | Basic Scale<br>Koruny<br>per Month | Scale<br>Coefficient | Absolute<br>Growth | Relative<br>Percentual<br>Growth |
|------------|------------------------------------|----------------------|--------------------|----------------------------------|
| 1          | 1,900                              | 1.0                  | -                  | "                                |
| 2          | 2,100                              | 1.10                 | 0.10               | 10                               |
| 3          | 3,300                              | 1.21                 | 0.11               | 9.5                              |
| 4          | 2,554                              | 1.21                 | 0.11               | 11                               |
| 5          | 2,800                              | 1.63                 | 0.13               | 10                               |
| 6          | 3,100                              | 1.63                 | 0.16               | 11                               |
| 7          | 3,400                              | 1.79                 | 0.16               | 9.5                              |
| 8          | 3,700                              | 1.95                 | 0.20               | 9                                |
| 9          | 4,100                              | 2.15                 | 0.22               | 10.5                             |
| 10         | 4,500                              | 2.37                 | 0.22               | 10                               |
| 11         | 4,900                              | 2.58                 | 0.29               | 9                                |
| 12         | about 5,000                        | 2.90                 | 0.33               | 12                               |

The basic scale from the first to the eleventh grade increases according to the length of creditable service as follows:

|               | <u>Percent</u> |
|---------------|----------------|
| Up to 2 years | 10             |
| 4             | 19             |
| 7             | 27             |
| 15            | 35             |
| 20            | 40             |

The salary in grade 12 is determined by an agreement between the employee and the director of the head office, subject to the approval of the supervising ministry. No piecework scales are specified; they are prepared occasionally according to need, usually on the level of the wage scale after seven years of service.

#### Changes in the Systems of Scales after the 1953 Currency Reform

According to the law (zakon) No 41 of 30 May 1953 on currency reform<sup>13</sup> (Section II, Paragraph 4), all wages, salaries, and other remunerations for work and services, including wage scales, were computed as of 1 June 1953 at the ratio of 5 koruny in the old currency to one koruna in the new currency.



In an effort to create favorable conditions in the field of wages and to facilitate the transition from a controlled market to a free market, the government of the Czechoslovak Republic, with the approval of the President of the Republic, issued the Government Decree No 42 of 30 May 1953, with the following provisions in matters of wages, income, and certain social taxes in connection with the abolition of the ration-card supply system<sup>14</sup> (Part I, Paragraphs 1 and 2):

The wage scales in effect (by the piece and by the hour) are increased:

- a) for miners working under the surface and workers with equal rating, by 0.70 koruny per hour;
- b) for workers engaged in surface work directly connected with the mine, by 0.50 koruny per hour;
- c) for workers engaged in metallurgical operations, by 0.60 koruny per hour--provided they are covered by the Government Resolution of 13 November 1951 promoting the increase of production in the metallurgical industry;
- d) for workers engaged in hot operations or in operations of equal rating, by 0.44 koruny per hour.

For all other workers the hourly scales increase by 0.34 koruny per hour.

The scales for piecework for other workers were specified as follows:

a) The scales for piecework that was 10 percent higher than the hourly scales (work regulated by estimate and statistical norms) is now equal to the new hourly scale, which was increased by 9 percent.

b) The scale for piecework that was 20 percent higher than the hourly scale (work regulated by technical norms) is now equal to the new hourly scale, which was increased by 18 percent.

The piecework scales in all other industries will be specified by the appropriate ministry with the approval of the State Wage Commission.

The basic salaries of employees specified in monthly amounts are increased as follows:

Salaries up to 1,000 koruny are increased by 60.00 koruny  
 Salaries from 1,001 koruny to 1,200 koruny are increased  
 by 40.00 koruny

The above-mentioned provisions had to be enacted in order to maintain the standard of living of workers and were followed by a series of changes in our system of scales. The changes are particularly apparent:

- 1) in the absolute size of the wage scales (computed to conform with the new currency and increased by supplementary payments in fractions of koruny);
- 2) in the absolute and relative growth of scale coefficients and in the span of the scale indices (the span became narrower);
- 3) in the formulation of a new ratio between hourly and piecework scales;
- 4) in the preparation of new schedules of wage scales for hot operations and for operations of equal rating.

Consequently, the uniform schedule of wage scales ranging between 8.20 and 18.20 koruny per hour, which is still in effect in the majority of the sectors in our national economy<sup>15</sup> has been changed by the above-mentioned provisions as follows:

| Wage Grade  | 1    | 2    | 3    | 4    | 5    | 6    | 7    | 8    |
|---|------|------|------|------|------|------|------|------|
| Hourly scale, koruny per hour                                       | 1.98 | 2.18 | 2.40 | 2.64 | 2.92 | 3.24 | 2.58 | 3.98 |
| Scale coefficient   | 1.00 | 1.10 | 1.21 | 1.33 | 1.47 | 1.64 | 1.81 | 2.01 |
| Absolute growth   | -    | 0.10 | 0.11 | 0.12 | 0.14 | 0.17 | 0.17 | 0.20 |
| Relative percentage growth  | -    | 10   | 11   | 11   | 11   | 11   | 11   | 11   |
| Piecework scale for estimate and statistical norms, koruny per hour | 2.16 | 2.38 | 2.62 | 2.88 | 3.18 | 3.53 | 3.90 | 4.34 |
| Piecework scale for technical norms, koruny per hour                | 2.34 | 2.57 | 2.83 | 3.12 | 3.45 | 3.82 | 4.22 | 4.70 |

Compared with the former scale, the span of the schedule of hourly scales was reduced from 1:2.22 to 1:2.01.

In sectors formerly guided by the uniform schedule of wage scales ranging between 8.20 and 18.20 koruny per hour, the following new schedules of hourly and piecework scales were prepared for hot operations and operations of equal rating:

| Work Grade   | 1    | 2    | 3    | 4    | 5    | 6    | 7    | 8     |
|--|------|------|------|------|------|------|------|-------|
| Hourly scale, koruny per hour                        | 2.08 | 2.18 | 2.50 | 2.74 | 3.02 | 3.34 | 3.68 | 4.08  |
| Piecework scale for estimate norms, koruny per hour  | 2.24 | 2.46 | 2.70 | 2.98 | 3.28 | 3.64 | 4.00 | 4.44  |
| Piecework scale for technical norms, koruny per hour | 2.40 | 2.64 | 2.92 | 3.20 | 3.54 | 3.92 | 4.34 | 4.80* |

\*The new scales were prorated by adding 44 halery to the old hourly and piecework scales divided by five.

\* \* \*

### Definition of Wage Forms and Their Significance

The system of wage scales assures remuneration in wages according to the quality of work. The over-all earnings of a worker correspond not only to the quality (qualification) of his work effort but also to the outcome of that work effort. Earnings are determined not only by who is doing what type of work, but also by what the outcome of his work means to the society in terms of quantity and quality. The over-all earnings of a worker, according to the outcome of his work in terms of quantity and quality, are determined by the wage form.

The form or type of wages is therefore a method according to which the remuneration for the work of individual workers, perhaps even of the same qualification, is based upon the outcome of their work in terms of quantity and quality.

The wage form is therefore the climax of a series of provisions on the basis of which socialist wages are realized according to the work produced. The function of the wage forms is therefore of major importance in the socialist wage organization.

## The Various Wage Forms

The wage forms may be graded according to different systems.

Depending on whether the wage form constitutes the sole and total earnings of a worker or an additional, supplementary portion of his earnings, we distinguish between the following wage forms:

### Wage Forms

#### Independent:

Direct wages for piecework  
"Suspended" (zavesona)  
piecework wages  
Clocked piecework wages  
Simple hourly wages

#### Supplementary or Additional:

Progressive piecework wages  
Premiums

According to the factors influencing the amount of earnings we distinguish between the following wage forms:

### Wage Forms

#### According to the Outcome of Work:

##### According to the Quantity of Work:

Direct piecework wages  
Progressive piecework wages

"Suspended" piecework wages

Clocked piecework wages

Hourly wages with premium paid for quality results

##### According to the Outcome of Work in Terms of Quality:

Piecework wages or hourly wages with premium paid for quality results

#### According to the Actual Time Worked:

Simple Hourly wages

Basically, there are strictly two fundamental wage forms:

1. Piecework wages
2. Hourly wages

Each of the fundamental wage forms has its own variations or types.

The types of piecework wages are:

1. Direct piecework wages
2. Progressive piecework wages
3. "Suspended" piecework wages
4. Clocked piecework wages
5. Piecework wages with premiums

The types of hourly wages are:

1. Simple hourly wages
2. Hourly wages with premiums

Depending on whether the remuneration concerns the outcome of the work of workers (individual) or a group (collective), we distinguish between the following wage types:

- 1) individual
- 2) collective

The distinction between the wage forms outlines the system very clearly but has little significance for actual practical purposes. It is, however, important to use the correct forms and types of wages, because only from the application of the correct wages can the national economy derive the maximum benefit.

#### Requirements for Correct Wage Forms

The wage form has to meet the following specifications if individual workers and the society are to derive the maximum benefit from it:

1. It must comply with the socialist principle of remuneration according to work. It must therefore gauge the earnings of the worker according to the quantity and quality of work produced for the society.

2. It must create effective material incentive for the workers to increase the outcome of their work in terms of quality and quantity for the benefit of the society.

3. It must assure the possibility of impartial and accurate control of the work results.

4. It must make possible a simple construction of the earnings that will be understandable to every worker.

To remunerate work we must always select the most efficient wage form in order to achieve higher productivity, reduction of production costs, and better quality products. The wage form is not an end in itself; it is rather an instrument with which we enforce the principle of socialist wages and attain higher production. We therefore never select any wage form merely for the sake of having either a wage form or a premium at all costs. We should rather investigate the possibilities offered by one or another wage form and the benefit that the society may derive from its application. The wage form therefore depends on the actual production and economic needs, on the needs to fulfill the plans and to increase labor productivity, etc., but never on any other factor.

\* \* \*

#### Development of the Premium System in Czechoslovakia and the Significance of Typified Premiums

In speaking of the development of the premium system in Czechoslovakia, we have more than a narrative in mind. Without a knowledge of the history of the premium system as it developed in our economy, we are unable to grasp the variety of problems inherent to the premium system, of which many remain unsolved to this day.

Premiums were first actively introduced in our plants especially between 1946 and 1947, and without any guidance from our lawmakers.

To guide the premium system, the former Ministry of Labor and Welfare issued a decree in 1947 on "the compulsory introduction of work rated by the piece."<sup>16</sup> The decree dealt primarily with piecework wages and directed that the intro-

duction of piecework wages should be compulsory whenever warranted by circumstances,<sup>17</sup> provided that the quality of products would not suffer. The decree also dealt with the premium system, recommending the use of premiums in case piecework wages could not be introduced, subject to prior official approval. The decree thus primarily concerned premiums to supplement hourly wages and to replace piecework wages, referring to them as "performance premiums." Furthermore, the decree mentioned the so-called "economy premiums" paid in addition to hourly as well as to piecework wages as a reward for either saving on material or turning out quality products. As a result, there were two distinct premium categories. Each category was subject to a separate set of general rules comprised in the executive directives issued in accordance with the provisions of Decree No 522/1947 U.1.<sup>18</sup>

The beginning of our premium system as expressed by Decree No 522 of 1947 was characterized by an emphasis on performance premiums that substituted for piecework wages. The first introduction of premiums in our economy basically coincides with the introduction of performance premiums.

To facilitate the construction of premiums in plants and to make sure that they are correct, the Premium Commission of the former Institute for Work Norms at the Central Council of Unions (Ustav pro pracovni normy pri Ustredni rade odborů) issued a textbook entitled *Premiový regulativ* [Premium Code].<sup>19</sup> It was a semiofficial textbook, because it was recommended by the Ministry of Labor and Welfare "for publication as a textbook to guide individual plants in their preparation of premium schedules for both workers and employees in the so-called higher service." Based on Decree No 522/1947 U.1. and on its executive directives, the premium code analyzed and commented on their provisions. The premium code also emphasized the importance of the performance premium and dealt with them exclusively in an annex entitled "Examples of Premium Types" (*Proklady premiových forem*) (pp 32-45, 1950 edition).

What was the reason for introducing particularly the so-called performance premiums? The premium code defines them as "premiums remunerating the larger volume of work produced within specific time limits by the premium receiving individual or collective."

At the time when the performance premiums were being introduced there were not planned wage funds in our economy. The earnings of workers, and particularly the earnings of those paid in piecework wages, were skyrocketing. Therefore, the former Ministry of Labor and Welfare stepped in with its Decree of 7 August 1946 to stamp out black wages.<sup>20</sup> The ministry was then the supreme organ in charge of the state wage policy. The decree was based on the assumption that a scientifically determined output norm would make it impossible for a worker to exceed the norm in the course of a longer period of time by an average of more than 125 percent. The decree further directed that, in case a larger number of workers were to exceed said average during a certain length of time, additional measures would have to be taken to shorten the time norms. That has proved incorrect. The practical interpretation of the decree was often faulty, since it did not permit individual to exceed 125 percent of the norm (in earnings representing 125 percent of the piecework scale) and since it permanently cut the time norms wherever performance exceeded said limit. The practice was nicknamed "piecework scissors" and the 125-percent indicator up to which the excess output was permitted was referred to as "the earning or wage ceiling."

Under these circumstances, the plants were afraid to introduce direct piecework wages in the absence of or impossibility of specifying accurate time norms. The plants preferred to disregard norms and operate with time estimates that were never completely accurate. There, another danger arose--namely, that a soft estimate norm could easily be exceeded, with the result that the plant would one day find itself in the grip of "black wages." Other plants did not introduce any piecework wages, either for the simple reason that no norm specialists were available or because even with correct norms they had to cope with eventual changes in the working and production conditions that prevailed when the norm was originally set (e.g., change in the quality of the material used).

A frequent answer to the problem was the performance premium that was a supplementary payment to hourly wages. The premium did not permit the earnings to rise as rapidly as in piecework wages. When a worker fulfilled the output norm 200 percent, while being remunerated in hourly wages and performance premium, he never earned 200 percent of his wage scale, as he would if he were working for direct piecework wages; what he earned was approximately 150 percent.



At the present time we are gradually eliminating the performance premium to replace it with direct piecework wages. One reason for that is that the technical method of regulating work by norms has advanced well, although it is still far from being as perfect as it should be. The other reason is that the average earnings are regulated in our economy by the planning of wage funds and average earnings in accordance with the production plan and the work efficiency plan. There is consequently no valid reason for earnings to be regulated by a method that replaces piecework wages with performance premiums.<sup>21</sup>

The second category of premiums is the economy premium. It was defined by the premium code as "the premium remunerating an improvement in the economic outcome of the work." The premiums remunerated economical production and economy in auxiliary materials, in power, and time; savings resulting from better utilization of the production facilities, savings on general production costs (budget bonus), premiums for improving the quality of products (quality premiums), etc.

The division into efficiency and economy premiums became something of a dogma to all wage organizers. Every reference to the premium system and every premium recommendation always started with the distinction between performance and economy premiums. In many instances, the concern was directed to distinguishing between a performance and economy premium, rather than making sure whether or not the premium might contribute to achieving better results in the plant and in the national economy.

What has led to the distinction between these two premium categories?

It was the fact that in most sectors of the national economy the performance bonus, was introduced at that time (and is still in effect in many sectors). It was a component of the wage and salary scale reforms. It was regarded as a substitute for piecework wages and was not to be made compatible with a premium that was also a substitute for piecework wages: the performance premium. Since the performance bonus was a substitute for piecework wages, it was to be paid together with the economy premium, in something like the following combinations: economy premium with piecework wages or economy premium with performance premium. The distinction between the two categories therefore originated from the practical need to distinguish between two types of premiums:

- 1) premiums that were incompatible with the performance bonus
- 2) premiums that were compatible with the performance bonus

The distinction was a convenient measure until the time that new types of premiums were being introduced. They did not completely suit that definition of the performance premium or the definition of the economy premium. We refer, for example, to the premium remunerating the fulfillment and surpassing of the production plan.

As we look at it now, the division between performance and economy premiums combined with the principle of compatibility of the performance bonus with the economy premium has lost its purpose.

1. In the first place, we have to revise the nature of the performance bonus itself. The performance bonus is not a mere substitute for piecework wages but rather a reward for a higher general performance effort on the part of the worker. There is no other rating for the result of his better done work. The wage regulations offer direct evidence to that effect. For example, all wage scale reforms for workers enacted under the heading of system of wages according to merit comprise a scoreboard for a point system according to which the percentage of the performance bonus is computed. The so-called "performance" of the worker evaluated by the scoreboard takes into account not only the quantity of work but also further factors: quality of work, independence of work, attitude, sense of responsibility, and spirit of co-operation. Therefore, the performance bonus also represents the reward for higher work ambition, a factor that is unsystematically determined from a personal viewpoint basically only according to emergency indicators.

2. The moment a new premium--any new premium--including therein the so-called economy premium is introduced to remunerate a worker who was before rewarded by the performance bonus, the answer is found for an objective rating to evaluate and numerically express his work effort and the results of his work. All emergency indicators that were used before to evaluate the performance bonus may now be logically dropped and therewith even the performance bonus itself. Considering the experiences with the performance bonuses and the negligible benefit they brought to our economy, there is not sense or valid economic reason to retain the performance

bonus as a supplement to economy premium, even though formally they do not conflict with any wage regulation in effect.<sup>22</sup>

3. The objection to discarding the performance bonus as soon as any premium, including therein the so-called economy premium, is introduced, which was raised on the grounds that the worker would be "cheated out" of something he could in fact get according to the regulations in effect, cannot be sustained at this stage of planned management of the wage development. We must realize that the volume of premiums is nowadays regulated as part of a state master plan for the development of the national economy by wage funds and by planned average earnings for the individual categories of workers. Under these circumstances, any further use of the performance bonus jointly with some of the other premiums would amount to siphoning away the means destined in the wage fund for premium payments, in favor of some outdated forms of remuneration for work, such as the performance bonus.

The problem of compatibility of the performance bonus with premiums must therefore be solved by economic methods rather than by making formal use of the opportunity offered by provisions in effect.

The broad application of performance premiums was therefore a characteristic of our developing premium system.

Another characteristic that originated from the first one was the trend toward decentralization of the responsibility of introducing and approving premiums.<sup>23</sup>

According to Decree No 522/1947 U.I. and the corresponding executive directives, all newly introduced premiums were subject to approval by the former Ministry of Labor and Welfare. The development of our premium system therefore started with centralized approval of all premiums by a single central organ. The development of the premium practice and the accumulation of recommendations for the introduction of new premiums induced the Ministry of Labor and Welfare to gradually delegate its authority to lower organs, particularly to the former general director of the nationalized industry. This agency was responsible for approving and introducing premiums, provided all rules established by the premium code were observed.

The decentralization trend went even further. There were motions advanced to delegate the authority to approve new

premiums, or at least certain types of premiums, to the directors of plants. The effort was backed up by the conditions that arose at the time of the introduction of the performance premiums which substituted for the piecework wages. What happened now was analogous to the commitment of having to introduce piecework wages not requiring any further approval by higher authorities. Why then could not the performance premiums that made earnings grow at a slower rate than direct piecework wages have been introduced, without making them subject to the approval by higher authorities?

The effort toward major decentralization in matters of approval and introduction of new premiums was carried to other types of premiums, which were being introduced apart from the performance premiums. A call went out from the plants for a new and better premium code that would help the plants to introduce on their own and reliably any type of good premiums. This attitude points to another important trait in the development of our premium system: the belief that the preparation and publication of detailed, well considered general rules could ensure a correct premium system for plants without any further interference (approval) from higher organs.

The upshot of these ideas that were put into practice both legally (the jurisdiction of the former general directors to approve premiums) and illegally (new premiums introduced in plants without official approval) was a lively development of the premium system as well as a wide variety of premiums (different types of premiums for identical work or occupations).

The development had great merits. The premium code contributed to straight thinking in matters of premiums and established in our plants and offices the correct general rules to govern premiums.

Experience has taught us, however, that the general rules of the premium code cannot permanently assure the correct construction of premiums. That could not be accomplished by a detailed and thorough new premium code either, although there has been a strong demand for its publication.<sup>24</sup> The premium code guided the premium practice by general rules toward the correct forms on the one hand, but it was also exposed to abuse on the other; the formal observance of its rules was a justification to cover up some of the worst premiums which could never benefit the national economy.

Experience has therefore taught us to make sure first of all that the premiums become an efficient tool in helping to achieve the best possible results in fulfilling and surpassing the state production plans, increasing work efficiency, reducing state planned production costs, improving the quality of products, etc. When these requirements are satisfied, it is then the time to observe the general rules governing the construction of premiums as listed in the premium code.

We have therefore learned by experience about the necessity of having new premiums approved by a single supreme wage policy making organ and precisely by the State Wage Commission.

The Government Resolution of 24 February 1953 on the duties of state organs responsible for the direction and execution of wage policies<sup>25</sup> authorized the State Wage Commission to approve the principles according to which individual work and occupations are remunerated by premiums (Article IV, Section 1, Letter e). The same Government Resolution authorized the ministries and central agencies to introduce premiums by ministerial decree in according with the principles approved by the State Wage Commission (Article I, Section 3, Letter d).

The measure does not charge the State Wage Commission with the task of approving again premiums for which the former Ministry of Labor and Welfare was responsible. The State Wage Commission does not process any recommendations for premiums submitted by individual plants. It approves the principles submitted by the ministries, according to which individual work or occupations are eligible for premium payments. These are neither general principles nor general rules regulating the premium system, but rather basic and cardinal provisions incorporated into the decree of a minister by which a new premium is being introduced to reward a specific task or occupation and stating who is eligible for a premium, his merit, the rate of the premium, the conditions, etc. The ministries have the statutory responsibility when submitting their recommendations for premiums to be reasonably sure that the premiums will promote higher production and better work efficiency, reduction of production costs, better quality of products, and other favorable results toward developing the national economy. They are furthermore responsible for the proper application of approved premiums.

The fact that the recommendations for new premiums are prepared and submitted to the State Wage Commission by the

ministries and no longer by the plants has led to a functional simplification of the premium system through the construction of typified premiums.

The typified premiums are the exact opposite of the former decentralized and dispersed premium system. It represents the principal characteristic of the modern stage reached by the premium development in our economy. The trend toward typified premiums is inseparable from the new method of premium authorization by a single agency, the State Wage Commission.

According to the typified premium system, identical premium types will be created for identical work and occupations, to extend to the largest possible number of plants and sometimes even the entire national economy. The typified premium system makes no specific premium type universally applicable in an exactly identical pattern to all cases, nor is it payable everywhere at the identical rate. Foremen of all plants in all sectors are not remunerated for their fulfillment of the production plan at the identical rate of perhaps 30 percent of their basic pay. The typified premium remunerates foremen everywhere according to indicators of the production plan fulfillment rather than according to indicators determined at random. The percentage of their premium may be gauged according to the nature of the production, the importance of the plant, and other worthwhile standards. The typified premiums do not represent any mechanical unity but rather the simplification, order, and planned purpose of the premium system.

The new method of authorizing and introducing premiums, as well as the emphasis on promoting the use of typified premiums, were backed up by the resolutions of the State Wage Commission of 15 May 1953 on the registration and authorization of premiums and on the principles governing the premium system.<sup>26</sup>

The resolution on premium registration and authorization procedures charges the ministries with the responsibility of recording without exception all current measures regulating the premium system. The resolution also stresses the point that the new premiums must not be introduced without prior approval by the State Wage Commission. The premiums approved by the State Wage Commission may be introduced only by ministerial decree and are not subject to registration by the ministry. Premiums cannot be used unless registered by the ministry.

The resolution that provides the principles by which the premium system is to be guided charges the ministries with the responsibility of observing, strictly and consistently, in their recommendations of premiums for individual work and occupations the following principles: only premiums increasing the efficiency of work and promoting the fulfillment and overfulfillment of the production plan as well as the reduction of the production costs may be introduced and used; furthermore, the ministries should recommend for identical work and occupations basically uniform premiums in as many plants as possible. The resolution also calls for the observance of the customary general premium rules, in connection with the preparation of recommendations for premiums. The resolution moreover incorporates provisions concerning premium payments, premium regulations, premium controls, and records; analyses to be made by the ministries to evaluate the results achieved by the application of premiums; the personal responsibility of the ministers, the directors of principal agencies, and the directors of enterprises and plants for carrying out a correct premium policy.

Before concluding our review of the development of the premium system in the Czechoslovak economy, we still have to answer a question connected with the premium code: Is the premium code in effect or is it not? The premium code was for a long time a generally acknowledged guide for the construction of premiums. Nowadays the premium code is mentioned very seldom and the newly introduced premiums no longer refer to it. It has never been abolished or amended either. Is it or is it not in effect?

An analysis of the premium development in our economy indicates that it does not seem right to give a conclusive answer to this question. Formally speaking, the premium code is valid because it emanates from Decree No 522/1947 U.l. of the former Ministry of Labor and Welfare, which is still in effect. However, some of the ideas that inspired Decree No 522/1947 U.l., and consequently the premium code, are outdated by now. It would be wrong to abide by it automatically without considering new economic interests. On the other hand, the basic general rules of the premium code would remain alive even if it were to cease to be formally in effect, which would happen if Decree No 522 were to be abolished.

Therefore, if we look at the premium code from that angle, we realize that it is no longer a compulsory directive but that it represents a helpful textbook as long as there is no

better fundamental publication available. Its principles will have to be supplemented, amended, and adjusted according to the needs of the developing national economy.

### The Division of Premiums into Categories and According to Systems

The division of premiums into categories and according to systems has the sole purpose of teaching the meaning of premiums in schools, lectures, and textbooks. It facilitates the understanding of the principles on which the construction of premiums is based; it also enables us to appraise the various premium types in their systematic order, according to which they may be more easily memorized.

It would be dangerous to divide the premium into categories and according to systems as a basis for their application in actual practice and for the construction and introduction of premiums. It would be as dangerous as persisting in automatically following the general rules governing the construction of premiums without considering their economic function.

We have demonstrated in the preceding paragraphs that distinguishing between performance and economy premiums served no valid purpose. We have also explained the real meaning of such a division.

The construction of categories and systems of premiums can lead to automatic but economically incorrect application lacking any purpose.

We mentioned previously the case of premiums on which decision was made by the director of the plant. Under some circumstances the procedure may have its merits. It would be foolish and wrong to prepare a category or a system of premiums "according to the opinion" or "according to the judgment" of the executive worker and to seek general rules for such a system. The result would be that premiums "according to opinion" would be introduced automatically anywhere and for each case on the grounds that they are based on some generally applicable "system;" prior to being introduced, they should be carefully scrutinized in each case with respect to their merit and the benefit the economy may derive from them.



Another example, in which "categories" or "systems" of premiums are out of place arises in connection with the introduction of internal khozraschot into enterprises. By artificially creating a specific "category" or "system" of premiums, which are used in khozraschot centers in connection with the internal khozraschot of an enterprise, we may end up with a situation in which the automatic introduction of premiums will be demanded and applied solely because of the fact that khozraschot is being introduced into the enterprise. This is a case of misplaced logic. We are not introducing premiums merely because we are introducing khozraschot into the enterprise, but because we aim to achieve better economic results. Khozraschot permits the application of such premiums but does not contribute any special type of "khozraschot" premiums.

The division of premiums into categories and systems may be endorsed for pedagogical reasons. For practical purposes we do not examine the category to which a premium belongs or which of several categories would fit a given case. We have to concern ourselves primarily with creating a premium which will make the worker eligible for such premium produce more for the national economy. If the practice of premium rewards does not serve any further purpose than the payment of premiums which do not contribute any material values to the economy, we have the wrong premiums regardless of the category or system in which they are classified.

\* \* \*

#### State Controlled Wage Policy in Czechoslovakia

In our economy it is the state that directs the wage policy in general terms. The state determines the volume of wages, which in turn express the share of the workers in the national income (wage funds) and also creates the individual wages.

The supreme organ to direct our wage policy is the government. However, it is not the government alone that directs the wage policy. The government issues only the basic principles regulating the wage policy and decides on its principal scope in order to create a desirable relation between the growth of labor productivity and the growth of wages, to promote socialist well-being on the basis of a unified

economic plan and in accordance with the general development of the national economy, and to lead to higher real wages and thus to a rising living standard. The details pertinent to the wage policy are delegated by the government to subordinate organs.

Wages, which are the share of the workers in the national income (wage funds), are determined by the state plan for the development of the national economy.<sup>27</sup> The plan is submitted by the State Planning Office (Statni urad planovaci) to the government for approval.<sup>28</sup>

The legal basis on which the state directs the wage policy, as far as the creation of individual wages within the scope of the planned wage funds is concerned, is Law (zakon) No 244 of 25 October 1948 on the state wage policy.<sup>29</sup>

Originally, since 1945, the former Ministry of Labor and Welfare was in charge of creating individual wages in accordance with the principles set forth by the government and within the scope of the national economic plan. The Ministry of Labor and Welfare was in charge of guiding and executing the wage policy (with respect to the creation of individual wages) as well as supervising the observance of its provisions. The labor protection agencies (urady ochrany prace) assisted the Ministry of Labor and Welfare by supervising the execution of the wage regulations in plants. They had the delegated authority to decide on some wage policy matters.

According to the Government Decree of 3 April 1951, concerning both the direction of the state wage policy and the constitution of the State Wage Commission,<sup>30</sup> the duties connected with the state wage policy, which formerly were the responsibility of the Ministry of Labor and Welfare according to Law No 244/1948 §b., were transferred to:

- a) the State Wage Commission in its capacity as the supreme organ to direct the state wage policy;
- b) the individual central offices (ministries) in their capacity as the organs executing the wage policy, in accordance with the directives of the State Wage Commission, within the scope of the planned wage funds.

The State Wage Commission is headed by the premier. The members of the commission are appointed and discharged by the government at the instance of the premier.

The State Wage Commission issues basic directives to guide and to execute the state wage policy, in accordance with the principles set forth by the government and within the scope and needs of the state plan for the development of the economy (particularly within the scope of the planned wage funds).

The duties of the State Wage Commission were specified in full by the Government Decree of 24 February 1953 concerning the state organs in their capacity as agencies directing and executing the state wage policy (Article IV).<sup>31</sup>

The State Wage Commission is responsible for:

- a) approving wage scales for all categories of workers;
- b) approving the principles for establishing performance norms in individual production sectors and approving uniform performance norms to apply within the jurisdictions of several ministries;
- c) approving the introduction of the progressive piecework wage in individual production sectors;
- d) approving the principles guiding premium payments to reward individual work and occupations;
- e) approving individual remuneration (basic pay rates) in all cases where either the State Wage Commission reserves [the approval] for itself or which are reserved for it by regulations in effect;
- f) deciding on matters concerning fringe benefits and claims in connection with work contracts (reimbursement of travel expenses, free use of facilities), with the exception of national insurance;
- g) approving the principles regulating the responsibilities and duties of the labor and wage agencies in the ministries and in other central offices;
- h) discussing recommendations prepared by the State Planning Office concerning the planned average earnings.

The State Wage Commission submits particularly important wage policy matters directly to the government.

Properly substantiated recommendations for wage regulations can be directly submitted to the State Wage Commission only by the central offices and by the Central Council of Trade Unions.

The work to be handled by the State Wage Commission is prepared by its secretary. The Secretary of the State Wage Commission is responsible for:

- a) submitting to the State Wage Commission all incoming recommendations, recording its decisions, and supervising their execution;
- b) coordinating, for the purpose of a unified procedure, the work of all ministries in matters approved by the government and by the State Wage Commission;
- c) investigating, according to the directions of the State Wage Commission, how the wage regulations stand up in their actual application and reporting on the results of his investigations to the State Wage Commission.

The state and its organs direct the wage policy in agreement with the unified trade union organizations (jednotna odborova organizacija).<sup>32</sup> In directing the state wage policy, the State Wage Commission is aided by the organs of the Revolutionary Trade Union Movement, which receives its directives from the Central Council of Trade Unions.<sup>33</sup> All recommendations for wage provisions submitted by the central offices to the State Wage Commission are subject to prior consultation with the pertinent organization of the Revolutionary Trade Union Movement and with the Central Council of Trade Unions.<sup>34</sup>

#### Footnotes

<sup>1</sup>These questions were brought up before in the section on Work Grades and the Selection of Their Number.

<sup>2</sup>We refer here to "work grades." We can also use any other units of measurements, as long as we are able to express through them the application of wages according to the quality of work--for example, qualification grades, wage grades, scale categories, etc.

<sup>3</sup>A detailed analyses of this question was given in the section dealing with the Catalogs of Jobs.

<sup>4</sup>According to a book by L. E. Gurin, Organization of Wages in Machine-Building Plants, Prumyslove Vydavatelstvi, Prague 1951, pp 36-37.

<sup>5</sup>For a detailed study of wage organization, a knowledge of the development of the construction of wage scales in the Soviet Union will be helpful. This is described in a book by E. Manevic, Wages and their Forms in the Industry of USSR, published by Prace, Prague 1951, pp 49-91.

6 An example of a wage decree is the decree of the Ministry of Labor Protection and Welfare, No 463 of 1 December 1945, on the organization of wage and labor conditions for workers employed in the metallurgical industry and in metalworking trades (Uredni list, Part 145, of 5 December 1945).

7 Socialist remuneration allows for the application of territorial principles, but in a sense opposite to that of the wage decrees. For example, in the USSR identical work commands higher wage scales when performed in remote, unpopulated, rugged lands (far north, etc.); the wage scales are lower in civilized areas (for example, Moscow). The territorial gradation of the wage scales has nothing to do with any socialist principles; it is indicated because it promotes material incentive among workers to work in difficult but socially important areas.

8 The socialist economy is capable of satisfying the social needs of workers, for example, by awarding family bonuses, wage tax relief, state loans to newlyweds, etc.

9 All figures are indicated in the old currency.

10 This did not eliminate the shortcomings of the performance bonus, to which we shall refer in a separate section on hourly wages.

11 Unlike the wage decrees, these were not published in Uredni list. An example of a decree on the wage system according to merits can be found in the book by Engr Josef Kozdera: Soustava mezd podle zasluhy v lesnim hospodarstvi [System of Wages According to Merits in Forestry], published by Prumyslove Vydavatelstvi, Prague, 1953.

12 Such schedules of wage scales for workers were introduced, for example, in power plants (electric plants), in the chemical industry, in coal mines of the other districts, and in ore mines.

13 Collection of Laws of the Czechoslovak Republic (Sbirka zakonu republiky Ceskoslovenske), Part 25, 30 May 1953.

14 Sbirka zakonu republiky Ceskoslovenske, Part 26, 30 May 1953.

- 15 The real earnings of workers in these sectors are higher than the wage scales in effect. The reason for that is that output norms are exceeded by work paid for in wages by the piece and in rewards by various bonuses.
- 16 Uredni list [Official Bulletin], Part 79, 29 May 1947: Decree No 522 of 7 May 1947.
- 17 This should be amended to include the provision that whenever these circumstances do not prevail, in spite of the fact that they could be satisfied, the plants and the organs supervising them should be made responsible for their speedy introduction. The duty of introducing piecework wages cannot be disregarded merely because the circumstances warranting their introduction and efficient application do not prevail for the time being, although they could be created. The plants and the organs supervising them must consistently examine the possibilities of creating such circumstances. Once they establish that possibility, it is their duty to introduce piecework wages.
- 18 The executive directives were published in the book Mazdove aktualni otazky v podnicich [Present Wage Problems in Enterprises] by Dr Oldrich Melichar and Ladislav Jenik, published by Tiskove podniky Usterniho svazu ceskoslovenskeho prumyslu, Prague 1948, pp 117-120.
- 19 The last edition was published by Nakladatelstvi Prace in the library of the former Czechoslovak Institute of Work, Prague 1950.
- 20 The decree was published in a book by Dr Oldrich Melichar and Ladislav Jenik: Mazdove aktualni otazky v podnicich, pp 12-13. All wages higher than the amounts that were permitted to be paid in accordance with provisions and principles in effect and governing both the organization of wages and the regulation of performance by norms were referred to as black wages. The expression "black wages" originated at a time when private enterprises, faced with a labor shortage, created "in the black" better wage conditions than those prevailing in nationalized enterprises. The expression was later applied to any remuneration of work that was illegal and contrary to socialist principles.
- 21 We shall discuss the details of the performance premium in a separate section.

- 22 In accordance with the directives of the former Ministry of Labor and Welfare regarding the payment of premiums, reference number A-III-2161/12-1/8-47, which are still in effect and which are the official interpretation of Decree No 522/1947 U.l., "the economy premium is a component of the wage paid to an employee as a supplement either to his hourly wage (salary) inclusive of all supplements, bonuses, and performance premiums, or to his piecework wage."
- 23 The approval in this conjunction is an approval of premiums that are being newly introduced rather than an approval of premiums prior to their being paid.
- 24 The new premium code was often requested for reasons of convenience. Some specialists working on the organization of wages believed that the premium code could become a comprehensive collection of all possible premiums for every occasion, a sort of "cookbook" for premium payments.
- 25 Uredni list, Part 29, 3 March 1953.
- 26 Uredni list, Part 74, 17 June 1954.
- 27 See Government Resolution of 16 April 1952 concerning the introduction of a new method for the preparation of the state plan for the development of the national economy in Czechoslovakia; also the Resolutions of Party and Government of 4 and 8 July 1952 concerning the political and organizational provisions to implement the new method of preparing the state plan for the development of the national economy in Czechoslovakia. Appeared in a booklet published by Nakladatelstvi Orbis, Prague, 1952.
- 28 The by-laws of the State Planning Office reveal the duties of the State Planning Office in connection with the direction of the wage policy. The by-laws were issued by Government Decree No 95 of 7 November 1951 (Sbirka zakonu, Part 47, 6 December 1951).
- 29 Sbirka zakonu, Part 92, 13 November 1948. We refer to the fact that the construction of individual wages in our economy was already directed by the state prior to the publication of this law. It was supported by older provisions, particularly by the Government Decree of 21 December 1939, No 330 Sbirka zakonu, concerning the state-directed wage policy as amended and supplemented by subsequent provisions as well as by Government Decree of 7 December 1942 No 404 Sbirka

zakonu assuring the stability of wages, salaries, and work morale. They were reconfirmed after the end of the German occupation.

30Sbirka zakonu, Part 16, 12 April 1951.

31Uredni list, Part 29, 3 March 1953.

32The participation of the United Trade Union Organizations in the state-directed wage policy was written into law according to the provisions of Section 2, Paragraph 1 of Law No 244 of 25 October 1948 concerning the state wage policy, as well as according to the provisions of Paragraph 1 of Government Decree No 27 of 3 April 1951 concerning the state-directed wage policy and the constitution of the State Wage Commission.

33Article III of the Government Resolution of 24 February 1953 concerning the duties of state organs directing and executing the state wage policy.

34Section 3, Article IV of the Government Decree of 24 February 1953 concerning the duties of state organs directing and executing the state wage policy.

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